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## WEST EUROPE REPORT

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TERRORISM

TURKEY

TERRORIST GROUP'S BOMB EXPERT SAID TO BE IN PALESTINE

Istanbul MILLIYET in Turkish 6 Jan 82 p 3

[Article by Bedir Seferoglu]

[Text] It has been announced that terrorists belonging to 28 illegal organizations as well as a majority of the leading cadres of these organizations have been arrested in Istanbul since 12 September 1980. In this context it was announced that only two MLAPU [Marxist-Leninist Armed Propaganda Union] terrorists remain uncaptured. According to the announcement, one of the uncaptured terrorists is Tayfun Bilgin, a bomb expert who built remotely controlled bombs for the MLAPU. It has been determined that Tayfun Bilgin went to Palestine after having altered his physical appearance.

It has also been announced that Dervis Bayraktar who is an other MLAPU terrorist and the wife of Tamer Ardan remains uncaptured in spite of all efforts to locate her. Officials have indicated that following the determination of Tayfun Bilgin's presence in Palestine, a massive search is underway for Dervis Bayraktar who is presumed to be in Turkey.

Officials have also announced that a majority of the weapons used by terrorists prior to 12 September 1980 have been discovered in terrorist safehouses in which the terrorists had taken refuge. A number of the weapons have been found buried in the ground.

Police officials also indicated that almost all of the 28 terrorist groups which had been active before 12 September 1980 have been rendered inactive. Any remaining groups have been described as insignificant.

The death penalty has been requested for 212 defendants who are among a total of 869 individuals standing trial

in connection with six different criminal cases initiated by the Istanbul Martial Law Command. The defendants were captured as the result of various operations conducted during 1981.



Tamer Arda'nın karısı Der-  
viş Bayraktar her yerde ar-  
ıyor.



Tayfun Bilgin, MLSB'nin bomba uzmanı  
idi.

WANTED: Tamer Arda's wife Dervis Bayraktar is being sought everywhere.

Tayfun Bilgin was the bomb expert of the MLAPU.

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TERRORISM

TURKEY

STIFFER PENALTIES TO BE IMPOSED ON COMMUNIST AGITATORS

Istanbul MILLIYET in Turkish 6 Jan 82 p 3

[Text] Heavier penalties are to be imposed on individuals who engage in communist propaganda and who form communist organizations. The law proposal prepared in this context also provides for a stiffening of penalties involving the forgery of personal documents and certificates. Justice Minister Cevdet Mentes announced that "the law proposal which provides for increased penalties has been prepared and presented to the Consultative Assembly, where discussion pertaining to it has begun in the appropriate committee."

Mentes said that the current penalties provided by the Turkish Penal Code for crimes against the state as well as crimes involving the forgery of personal documents and certificates remain far behind the times in responding to current needs. He said that current needs had been taken into consideration in preparing a law proposal that stiffens the penalties stipulated by Articles 141, 142, 350, 351, 352, 353, 354, 355 and 356 of the Turkish Penal Code. Mentes said that the law proposal had been presented to the Consultative Assembly where its discussion had begun in the appropriate committee.

Mentes said that the crimes covered by Articles 141 and 142 of the Turkish Penal Code are in effect crimes against the state. He said "Today's laws provide for an 8 to 15 year jail sentence against violators of Article 141 while a 5 to 10 year jail sentence is provided for those who perpetrate crimes designated by Article 142."

In connection with the law proposal's provisions for stiffer penalties against violators of Articles 350, 351, 352, 353, 354, 355 and 356 of the Turkish Penal Code, Mentes said : "Crimes falling within the scope of these articles involve identification cards, birth certificates, passports, receipts, written declarations and official statements

including those that are issued by doctors. According to the current stipulations of the Turkish Penal Code, such offenses are punishable by sentences that range either from 8 months to 8 years or from 8 months to 3 years with or without hard labor. Fines may also be levied in such cases."

Mentes said that it is expected than the law proposal will be accepted by the Consultative Assembly. He said: "There have been earlier instances of articles of the Turkish Penal Code being modified for the purpose of bringing them up to date. Such changes were brought about by Law 2248 in 1979 and Law 2370 in 1981."

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## EYSKENS ON FISCAL POLICY, UNEMPLOYMENT

Brussels KNACK in Dutch 27 Jan 82 pp 30-33

[Interview with Mark Eyskens, minister of economic affairs, on deflation and devaluation: "We Can Only Hope"; date and place of interview not given]

[Text] According to protocol, Mark Eyskens could be addressed as "Mister Prime Minister" for the rest of his life. But he himself thinks that the period during which he held that office was a little short to allow him to claim that title. He is now minister of economic affairs, and thus primarily the successor to Willy Claes who was forced to tackle the ever worsening crisis years like a fireman. Every week a fire broke out somewhere, and a coherent policy seemed impossible. Yet, a number of large sectoral cases were tackled and put on specific tracks, in order to continue running for another number of years. Now that the new government has been formed, with a totally different coalition and different intentions, the crisis remains the same. The question then arises as to whether the minister of economic affairs has the room to conduct a thoroughly different policy. Whether, in terms of structures and mechanisms, he is not stuck too much in former options, in unmistakable crisis data, which are also forced upon us from abroad. Whatever the case may be, Mark Eyskens has started in the new coalition with one decisive approach. Anyone who wants support for his business will have to cut down there first. The state of need of a business will have to be proven as it were, and a first effort at self-imposed austerity will be compulsory.

Question: The more the members of parliament ask the question these days of what precise cuts the administration has in mind with the special powers, the less answers the ministers provide. Nobody knows the calculations of the state. Is there an economic justification for the government policy?

Mark Eyskens: Against the ever darkening horizon, the fact stands out that financing the budgetary deficit with foreign loans may be possible until the summer, in the best of circumstances until the fall, but no such prospects will exist afterwards. If we have to close the year 1982 with a net balance to be financed of close to 500 billion francs, then it is possible that we will no longer be able to find any credits. Would a financing crisis break out then? /No/ [printed in

italics], but then we would have to shift completely to domestic money making. Then we would print money, unemployment would go up, and industry would be even worse off. With a 15 percent inflation or more, we are rapidly drawing level with English conditions. In the end we would need to take a cartful of money to the tobacco shop.

Question: Are you therefore aiming for a deflationary policy, as the opposition accuses?

Eyskens: What is the situation the country is in? Is it /inflationary/ [in italics] or /deflationary/ [in italics]? The answer is /both/ [in italics]. There are areas of inflation, which are reflected for example in the price hikes, and areas of deflation. When the balance of trade presents a 250 billion franc deficit, this means that 250 billion francs in purchasing power is being drained off to foreign countries. That is the bill for energy, the bill for our decreasing competitive power, the bill for our impoverishment. Every year we are re-losing 250 billion francs. Hence, this is very deflationary. Our policy, on the other hand, must be simultaneously anti-deflationary and anti-inflationary. This explains the high level of difficulty, and the problem, which has existed for many years, of finding the right course.

Thus, I agree with the socialists that we have to be cautious, because as a result of the balance of trade deficit there is already a deflationary area in our economy. Therefore, whatever you do with your policy to reduce the trade deficit will be deflationary. Any effort against the drain of the purchasing power to foreign countries is anti-deflationary. Hence, the 200 billion franc deficit we have accepted on the current account is not an arbitrary figure. The European Commission allows us that budgetary deficit, to be financed through money making or through foreign loans, specifically as a compensating expenditure directed toward the deflationary effect of the balance of trade deficit. The economic reason for the budgetary deficit is its compensatory reflation. This is why I would be opposed to the deficit dropping below 200 billion francs now. It is true that under the present circumstances you have to practice deficit spending in order to counteract the deflation of the balance of trade.

But once you are stuck with a net balance of 480 billion francs -- gross 650 billion francs -- to be financed, and if at the same time you observe that municipalities, universities and hospitals are also becoming delinquent, then you are hardly any longer faced with a deficit but rather with a deterioration of public finances. To continue to defend such a super-deficit in the name of reflation and of starting up, would be crazy. We have been stuck with that deficit since the beginning of the crisis. The explosion occurred in 1974; in 1 year's time, expenditures rose by 25 percent. If the then prevailing underlying assumptions had come true, then by now we would have had to be the country with the largest economic growth in the world, which we are not. However, they have murdered Keynes; in spite of the high deficit spending we are stuck with nothing but bad indicators. This means that, as of a certain critical threshold, the super-deficit and the manner in which it is financed also have deflationary consequences. Specifically, when your currency becomes extremely expensive, and with the escalation of your interest rates.

Second conclusion: therefore, all measures leading to the elimination of the super-deficit are actually anti-deflationary. Indeed, if interest rates can be reduced and the cost prices can be squeezed by the enterprises, then this would produce a better compensation for the risk-bearing capital. An interest rate decrease is reflationary, but an interest rate increase is deflationary. Anything that can lead to keeping down the interest rates is a piece of revival policy. If, through a reduction of the national deficit and of your appeal to the money market, as a result of which the interest rate will go down, and through an improvement of the competitive power, you also promote job opportunities, then this expansion of employment will produce the greatest anti-deflationary result: to provide income for actively employed individuals. As a matter of fact, aside from the trade balance deficit, the destruction of jobs, which has been going on in our country over the last 8 years or so, with the loss of 300,000 jobs in industry and an equal number of incomes were halved, has been the largest deflation. Whatever the opposition may say, we are doing all of this primarily for employment.

Question: Since the first set of businesses in difficulty which the new government had to deal with, the liberals have already had to make numerous concessions. Hundreds of millions of francs continue to be paid out as if there were no Guy Verhofstadt, and the only difference is the hateful school punishment of an additional wage cut for the workers involved. What effect could this have from a macro-economic point of view?

Eyskens: I am a member of the CVP [Social Christian Party (Flemish)] and not a liberal, and a minister in a Christian-liberal administration, which is /not/ [in italics] purely liberal. What is involved here is a basic choice. Either we continue forever to make choices in favor of the process of Belgian compromise with a consensus at /any/ [in italics] cost -- in which case it must be clear now that we would have to include a greater loss of prosperity in our calculations -- or we opt for more effective policy models. We are talking here about businesses which have been sucking state aid for 6, 7 or 8 years. It goes without saying that a 10 percent cut in managerial wages and 5 percent for the workers, can only represent a drop in the 1.3 billion franc bucket used up by Motte, or in Fabela's 1.5 billion franc bucket.

Let me start with the last argument in the series. It seems to me elementary social morality, especially with regard to the managers, that an effort would be required from those who draw such amounts on behalf of the tax payers. During my days in the Department of Regional Economy, if I looked out of the window I could sometimes see the vehicles of those who were crying for help in the waiting room. Not just cars, real /limousines/ [in italics].

Now all these packages of steel and textiles have to go to the European Commission, which is becoming increasingly strict with the Belgians. We have become a case there. In order to get such a package approved, we have to prove that the government aid serves to restore the cash flow. The wage cuts which are now being imposed on the people at Fabela and Motte, serve to produce a positive cash flow within 2 or 3 years. However, most of the restructuring plans still remain /below/ [in italics] the recovery of the cash flow. We could, for example, have made the wage cut so high that the cash flow would in reality have been restored in 2 years. However, this would have meant huge wage cuts in some enterprises and discrimination between the various businesses and sectors.

The underlying philosophy is that there are inexorable sanctions in a market economy. Those who fail will, as shareholders lose their deposit, and as workers lose their jobs. But where is the sanction in those businesses which become used to eating out of the hand of the state? In a tight economy, shouldn't we take care to make optimal use of our scarce means? I am definitely not opposed to state intervention in the economy, but /with/ [in italics] due observance of a few economic laws, such as the sanction. Now, those enterprises will just have to prove themselves that they are capable of a creative restructuring and of reconquering their markets. Through the sanction, everybody involved becomes better motivated.

Question: First, a number of people in those enterprises have to give up their jobs, and then to top it off, the remainder will earn less. Aren't these retrenchments, like Black Peter's rod, enough of a moral sanction for you?

Eyskens: It is true that the wage cuts are intended for the remaining personnel. Because if we push more people into forms of unemployment, then they will become public charges again anyway. Elsewhere in a market economy the sanctions are inexorable: the factory is closed. But then, as Christian democrats, we object to that; this is dehumanization. But even in cases where government aid is provided, there must be an awareness of the fact that economic actions have consequences, good or bad. That we do have to carry our own /responsibility/[in italics] in lif

Question: The 500,000th unemployed individual will be honored in the spring. By the end of the year, the 600,000th will be celebrated. What kinds of results do you expect from your policy?

Eyskens: I have hope only for lack of an alternative. We have already tried everything, without results. Belgium has become impoverished; we have to digest that. The budget remains the most difficult issue, and the ultimate test of credibility for the coalition.

Question: When there is a foot of snow in Sweden, the trains don't even attempt to roll out. Here, the whole country toiled in vain for a full day to try to get to work anyway. How can a country with such an industrious population, with its enormous productivity and its wage costs, which are at worst less than 2 percent higher than those in the FRG, go so hopelessly bankrupt?

Eyskens: Of course, a country does /not/ [in italics] go bankrupt, but it could well experience a very rapid and chaotic drop of 10 to 20 percent in its standard of living.

Question: A piece of monetary policy is floating about in discussions. Even though it is still punishable, some people are already openly mentioning devaluation as a policy instrument. Some people even insist in print on a sufficiently high devaluation. What is, under the present circumstances, the economic theory of devaluation?

Eyskens: Whether a devaluation does or does not take place, we must in any case implement the provisions of the government declaration. To say that this policy is a preparatory measure for devaluation is not only a judgement of intentions, but also completely /wrong/ [in italics]. Because whether or not we would wish

for a devaluation, we could not for all that escape the measures the administration has in mind. Devaluation or not, we cannot let the budgetary deficit explode or the trade deficit go up without doing anything, can we? Hence, we must in any case conduct this kind of policy, and in this context the whole question lies in whether this policy could be more effective /with/ [in italics] an adjustment of the rate of exchange. My response to this is that, in the first place, we have to make our policy come true. Also taking into account our enormous need for imports, and on the other hand the fact that on the world market we are only price takers and cannot even impose our rates, we should /not/ [in italics] overestimate the impact of a devaluation.

Believe me when I say that, in the first place, no agreement on the matter exists within the administration; that, secondly, I share the opinion of my colleague Willy De Clercq of the Ministry of Finance that with our policy we should make devaluation /superfluous/ [in italics]; that, thirdly, it has definitely /not/ [in italics] been determined whether a devaluation would improve the results but that, fourthly, circumstances could always occur in which a devaluation could no longer be avoided.

If our situation does not improve, we cannot remain firm forever. On 3 and 4 October, I, as prime minister, floundered through a hectic weekend, after which we had to get through another crisis in the middle of December, right before the return of Wilfried Martens. I myself had become prime minister in the spring, following a wave of speculation. You must admit that three disturbances over a 6 month period are a symptom of the structural weakening of our franc.

Question: Meanwhile, no administration has taken any steps against the flight of our capital, against fraud and against all those other wonderful practices. Does the Belgian government really not have any grip on anything?

Eyskens: Through the Treaty of Rome, we are irrevocably tied to a free capital market. Moreover, the net capital movements show a positive balance. Of course, the flight of capital is a mistake, a sin, a criminal offence, and it is wrong, but from a macro-economic perspective it does not create any waves. That is a merry-go-round. All that money fleeing to Luxemburg in the morning, often returns the same day through banking transactions. We pay more for it, but the money itself does /not/ [in italics] get lost. In this context, the current overvaluation of our currency is a reverse phenomenon. It is not our currency that is overvalued; it is our economy which is undervalued because it is going badly. Hence, let us try to improve the structure of our economy, and then see what happens.

Question: Are you then ruling out devaluation in the short term?

Eyskens: Our problems are so structural, that it is an illusion to believe that to change a few percentages of exchange value will, as if by magic, restore the fighting strength of our enterprises.

Question: But then Materne's jam would be able to compete again, because Cross and Blackwell would become too expensive?

Eyskens: Not necessarily, because the production costs of the domestic products would immediately go up as a result of the devaluation of the franc.

Question: Is this why you have not prepared a lock for the automatic index coupling?

Eyskens: This lock remains with an intervention of only 3 percent.

Question: That percentage could always be raised.

Eyskens: There is no provision at all for this in the government agreement.

Question: But that can be rewritten, depending on the need.

Eyskens: At this time, this is definitely /not/ [in italics] the working assumption. Some sharks have been lying in wait for a devaluation for 5 years, and acutely so for the last 2 years. However, up to now the speculators have always had to bite the dust. An additional element is the fact that our European partners would definitely not allow us a competitive devaluation; they would look out for their own exports. I am not a dogmatist in these matters; devaluation is not ipso facto a reprehensible capital sin. But let us first test our policy and see what happens. If the economy takes hold again, then any devaluation would be superfluous. It would naturally be an altogether different matter if our results were to be inadequate or if, for example, it becomes impossible to implement our policy because of extra-parliamentary opposition. This would give rise to a new situation. I believe that this government will be the last parliamentary administration to be able to attempt the realization of a policy which offers any kind of prospect.

Question: By starting right now to push parliament somewhat to the side?

Eyskens: The good aspect of the special powers is that they lift some of the slowdowns which are weighing down on policy. But if this were to fail, if later on, for example, we were not able to put this mandate to use because of political or other squabbles, what else would there be for us to try? Furthermore, we now have the counterweight of the regions and the communities. This will be the ultimate test of the policy's credibility. If the central government fails, then the Flemish and Walloon regional governments would inevitably pull the sheets to themselves. The zeal of the current presidents of those governments still fits within the framework of the existing legislation; there is as yet no talk of separatism. Of course, now we have to ask for the advice of those bodies for anything and everything. In this regard, the physical absence of Gaston Geens and Jean-Maurice Dehousse from the central government has altered the visual image; indeed, last month they were still part of it. Advice now comes by courier from the czar. With a little delay, but it does work. It would be a different matter if these executives were to take a stand against the central government, but this is /not/ [in italics] the case. /Not/ [in italics] in Wallonia either, where in the meantime no meeting of the States General and the like will be called. Dehousse has every right to be a Walloon nationalist, as long as he remains the reasonable, proper, intelligent, industrious, courageous and competent man we have learned to appreciate. In Flanders, people are not sufficiently aware of the fact that sometimes he imposes /greater/ [in italics] efforts on the businesses in difficulty, within the sectors which fall under his regional authority, than we ask on a national basis. For the Flemish, he is a valuable discussion partner.

Question: Then why couldn't you settle the steel question with that valuable discussion partner in September?

Eyskens: It is absolutely true that there were certain things I could not favor Spitaels with, but which Jean Gol is getting now. However, the Walloon socialist president himself had done everything in his power to make unblocking impossible: the incidents in the area of Fourons, the school in Comines, anticipating the budget with his own party congress. But what is completely wrong, on the other hand, is to allege that we, on the Flemish side, would now buy out the liberal partner. All those billions of francs for steel, which people are never reluctant to talk about, are still /the same/ [in italics] billions. In that package, /the same/ [in italics] cards are still on the table, they are still /the same/ [in italics] figures of 15 May. Not a single franc has been added since then; what is involved here are attempts to implement the decisions. And this remains very difficult, because of the circumstances.

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**STOCKS, SECURITIES FEEL EFFECTS OF INFLATION, NATIONALIZATION****Mutual Fund Companies Foresee Recovery**

Paris LE NOUVEL ECONOMISTE in French 11 Jan 82 pp 66-68

[Article by Jean-Marc Biais: "Mediocre Growth"]

[Text] A gray year. Will the SICAV [Variable Capital Investment Companies], which recovered brilliantly in 1979 and 1980, fall into disrepute again? It is true that their performance must not be judged on the basis of a single year. But the results reported for the fiscal year just ending are most disappointing. Only 23 out of the 128 SICAV established to date have been able to protect their subscribers against the monetary erosion. Worse, 50 of them fell as of the end of December to a level lower than that at the beginning of 1981. For those which had been best managed in preceding years, this meant a sharp decline. Indosuez Valeurs showed an increase of only 2.85 percent in 1981 (as compared with an annual average of 40.2 percent between 1975 and 1980). The Investment Company (CIP) leveled off at 1.6 percent (as compared to 36.9 percent previously), and Drouot Investment showed an advance of only 0.55 percent (as compared to 46.1 percent previously).

The majority of the formulas which had worked so well for managers in the past failed in 1981. "The concepts born in the second oil crisis, on which we have built our strategy--prospecting for oil, high technology and gold--were no longer valid," says Mr Henri Deegenaar, president and managing director of Drouot Investment. "We did of course reduce our involvement in these three sectors. But not speedily enough to escape the reductions from which they suffered."

Among the few SICAV spared in 1981 were those specializing in Japanese stocks. The Tokyo Stock Exchange was in fact the only major market, along with the City of London, where an increase in quotations was seen (the Nikkei-Dow Jones index showed a 10 percent increase and the general index, 15 percent). The best performance was seen for Unijapon (+33 percent), which had also been number one in 1980. It was slightly more successful than Aurore (+25.5 percent), because it reduced its holdings in export stocks sooner and more drastically, in order to buy purely domestic shares in banks, credit companies and the pharmacy sector, all enterprises which had better performance records in the second half of 1981 than the market average, while certain securities of companies with heavy foreign dependence declined in the same period (for example, Pioneer lost 25 percent).

The success in the management of securities, which ranked second on the list (+27 percent), was due to other factors. First of all was its not inconsiderable involvement with the General Geophysics Company. This participation, which ran to 3.2 million francs at the beginning, was assessed at the end of October, after this

company was quoted on the Paris Stock Exchange, at 56 million (representing 14 percent of the assets of this SICAV). "In addition," as its director, Mr Leon Panel, explains, "we have committed ourselves to having 50 percent of our portfolio in French stocks on a permanent basis. We had precisely that quota just prior to the French presidential election. The decline on the Paris Stock Exchange and the establishment of the foreign exchange security threw our assets out of balance. And we thus sold American stocks at almost their highest value and bought back French shares at the bottom of the slump." Managers with rapid reflexes were thus able to limit their losses. This was the case with Epargne Croissance (Growth Savings). Although based mainly on American stocks, which dropped on an average of 10 percent in 1981, this SICAV showed a gain of more than 19 percent. A part of this development was due to the increase in the value of the dollar in relation to the franc, in particular after the establishment of the foreign exchange security. But management mobility was the determining factor. "We completed full circuits at the proper moment," Mr Eric de la Guierce, its director, explains. "Our holdings in American stocks, which had reached a maximum of 35 percent at the end of June, then dropped to 25 percent."

Others which did not suffer were the SICAV which invest in international bonds. Natio-Inter (+26 percent) leads. "In spring we bought deutschmark bonds at a time when they had experienced a slump," comments Mr Jean Louvet, the general manager of Natio-Inter. "We also invested heavily in Japanese bonds, which benefited from the increase in the value of the yen. Toward the end of the year, we reduced our holdings in European currencies to the benefit of the American dollar, because of the possible repercussions of the Polish crisis." Altefi, number two among the bond-holding SICAV (+21 percent), achieved even more definite benefit from American currency, and even sooner.

The Monory, which should own French stocks to the extent of at least 60 percent, did not have an easy task this year. Nonetheless, they did better than the CAC index, which declined 16 percent. Those least affected were those which, in terms of bond proportions, were less burdened at the beginning of the year by loans indexed on gold, particularly at 7 percent, a category which dropped by 30 percent. Those which strengthened their participation in companies to be nationalized after 10 May were also favored by the later rise in these stocks. But all of the others suffered from a handicap, for example Drouot France (-4.4 percent). However, the volume of stocks in companies to be nationalized held by the first two Monory SICAV, Livret Bourse Investissement (-0.64 percent) and SICAV 5000 (-1.05 percent) remain reasonable, at slightly more than 10 percent. The purchases of these two companies in the period of depression on the Parisian market were not, moreover, limited to this category of securities. Livret Bourse invested at that time in the majority of the sectors on the quotation list. SICAV 5000 was more selective, and concentrated its purchases on stocks in construction and public works (this sector accounts for 12 percent of its holdings) and the distribution sector (in particular, the French West Africa Company and Darty, which in turn account for 4 percent of its holdings).

The 1981 fiscal year was thus a disappointment. Will the same be the case for the year just beginning? The prospects for the main financial markets differ considerably. Mr Jacques Joakimides, who heads Epargne Industrie (Industrial Savings), which ranks third among the Monory (-1.6 percent), is optimistic about Paris. "The market will anticipate a certain economic recovery. But technical elements will play an important role. The choice of stocks will be reduced after the nationalizations are effected and the stock exchange will become more 'nervous.' It will be necessary to profit

from the decline to get into certain businesses such as Peugeot, which will again make money. The 7 percent loan will thus again become attractive. In fact, within the framework of recovery for the Western economies, gold should follow a better trend."

Mr Alain Hindie, the general manager of SICAV 5000, confirms this relative optimism. "The Paris market," he said, "should bear up relatively well. With the economic recovery which is likely to be seen, the company balances will improve. A rate of real growth of between 2.8 and 3.3 percent should thus have its repercussions in the majority of the sectors on the quotation list. It is true that on the technical level, we should see sales by Monory purchasers at the beginning of the year, but these should then be compensated by a trend in the other direction. If the Dautresme Commission indicates support of stock sales, as I think it will, this will bring in other subscribers."

Opinions on Wall Street are more cautious. "The economic recovery is likely to be slower and more stable in the United States than it was in 1980. The actions of the 'Fed' (Federal Reserve Bank) will contribute to this," Mr Panel believes. "And Wall Street is likely to see another drop when the poor results achieved by the American companies in the fourth quarter of 1981 are reported." The same view is shared by Mr Jean-Claude Massinot, head of Rothschild Expansion and Laffitte Tokyo. "Recovery in the United States will be hesitant and the financial analysts will have to revise their predictions of the results downward. The stock market quotations have not yet taken this into account. There is indeed a substantial Wall Street potential, which has done nothing for 3 years. But it is still too soon to invest in it."

And what about Japan? "Indeed, the Japanese economy will again in 1982 be the most brilliant of any of the Western economies. The yen will gain again in relation to the dollar," Mr Guy de Mailly Nesle, president of Aurore, believes. "But the financial market is likely to undergo definite oscillation." "It is probable that there will be a rapid rise in quotations there during the early weeks in 1982, and then profit-taking," Mr Massinot adds. "It is the domestic stocks which will be most in demand. Investors, foreign ones in particular, will not return to export businesses until the American recovery is confirmed."

But what will be the profitable businesses in 1982? "What must be sought today," Mr Deegenaar comments, "are the companies being reorganized with are focusing their efforts on the sectors in which they are strongest. These can be found in Tokyo, New York or Paris. Their stock market performance will be independent of the markets on which they are quoted." In other words, investments undertaken one by one. These certainly involve a greater risk of error than diversified investments on this or that market or sector. But they offer the hope of greater profits. An even greater contrast will thus be seen in the performance levels for 1982.

#### Bond Market Hindered by Foreign Rates

Paris LE NOUVEL ECONOMISTE in French 1 Feb 82 pp 74-75

[Article by Jean-Marc Biais: "Bonds--Rejection of Fixed Rates"]

[Text] In 1981, the bond market in France was more seriously affected than the stock market. And, unlike the latter, it has not yet emerged from convalescence.

While the CAC index has made a leap of nearly 10 percent since the beginning of this year, bond quotations in the private sector showed a decline during the same period. The state loan of 10 billion francs at 16.20 percent suffered from difficulty in finding takers. Some banks even still have securities (from the "bundle," in the professional jargon) which they have not been able to resell either to investors or to private persons. Only the issues at variable rates remain in great demand. This is an undeniable sign of the fragility of the market.

It is true that since reaching a peak at 18.33 percent in June of 1981, yield rates for bonds in the private sector have suffered a decline of more than one point. And, as Mr Georges Py, who heads the two SICAV holding BNP [National Bank of Paris] bonds, "this is a substantial decline which no one would have ventured to predict a few months ago." But the majority of the operators no longer seem to expect this trend to continue today.

The first obstacle, in their view, is found abroad. It is true that the short-term rates have been declining again in the past few days in the FRG (the "lending rate"--advances on securities--dropped from 10½ to 10 percent) and in Great Britain (the basic bank rate dropped back from 14½ to 14 percent). But this drop has had no long-term effect. And in the United States, the Federal Reserve Bank seems clearly determined to continue a restrictive monetary policy. "I do not believe that Europe can go against the development of the American rates," says Mr Jean-Paul Fournel, department head at the Societe Generale. If the trend were upward again on the other side of the Atlantic, we would be more or less forced to follow. But currently it is very difficult to see the matter clearly. Everything will depend on when economic activity recovers in the United States."

The second concern on the market is the development of the rate of inflation in France. It is true that on this level, the operators as a whole seem much less pessimistic than they were last autumn. But they have their doubts that the government can work miracles and bring the rate of inflation down again below 13 or 13.5 percent in 1982. The expectations for Germany and the United States are definitely lower (6-7 percent and 7-8 percent, respectively). Now the public authorities cannot allow the gap between the real rates of interest earned in these two countries and those earned in France to widen further.

Particularly since this year another phenomenon will make itself forcefully felt: the volume of the demand for fresh capital. Apart from the budget deficit (95 billion francs), it will be necessary to finance the deficits of a certain number of public enterprises which will not be able to increase their rates sufficiently. The banks, for their part, still limited by the credit structure, will also have to have recourse to the bond market. In all, a total of between 130 and 150 billion francs will have to be mobilized. Already in 1981 there was difficulty in market placement of the 105.6 billion francs in new bonds. How will the market be able to support a still greater rate of issue? "I do not see how it will be possible to find such a mass of capital at rate levels which are clearly lower than those at present," Mr Alain Wicker, who heads De Cholet-Dupont, believes.

The new issues should be the more attractive since the potential subscribers are seeing their resources dwindling. Certain pension funds are having financial problems. As to the insurance companies, at the end of last year, they underwrote the UNEDIC [National Intervocational Employment Union] loan (6 billion francs). "This loan weighed particularly heavily on the companies which in preceding months had

supported all the issues in patriotic fashion," explains a financial official of a private company. "Now they have more than their regulatory quota of bonds."

The same is noted among private investors, who greeted the last state loan with little enthusiasm. "People have the feeling that they have 'already given' in connection with the loan last September," an agency manager comments. To this must be added the fiscal uncertainties. "One sees in the average and upper clientele a concern about the fiscal future," Mr Fournel explains. "People have serious doubts about the effect of the supplementary tax on income and the capital levy. Nor do they know if the liberating 25 percent deduction will be eliminated or a ceiling set for it. And this influences their behavior."

Awaiting some certainty both in the realm of rates and that of taxes, investors prefer bonds which involve little capital risk (short-term bonds and variable rates). The demand for these is, moreover, so strong that those issuing bonds have been able to incorporate their margin added to the reference rate (bond market rate or monetary market rate) in the new loans. On the secondary market, the cost of these securities is substantially higher than the nominal value of the bond. According to an index recently updated by Paribas, the bond market rates (TMO) were quoted at 102.5 percent on an average on 15 January 1982, and the Average Monthly Monetary Market Rate (T4M) at 101 percent (as compared to 99.9 percent last November).

To meet this demand for liquid investments, banks are multiplying the joint funds created to specialize in treasury management (they now total some 50). They are also, based on the principle, beginning to promote new SICAV. They offer three advantages over the Joint Investment Fund (FCP). They are not limited as to the volume of capital they can draw off. They offer a more favorable tax structure for artificial persons as investors. Finally, they have access to the monetary market, on which they can place their treasury reserves. The returns on such SICAV have come close to the monetary market rates. On this level, however, they are not committed to their subscribers. "We guarantee capital protection at nominal value," Mr Py, who heads Natio-Epargne, contents himself with saying. The Vernes Bank created a SICAV of this type 18 months ago, and its performance has been quite brilliant: the value of a share increased by 17.1 percent in 1981, while during the same period, the average monetary market rate was 15.3 percent. But these results cannot be extrapolated, as Mr Roland d'Hauteville, president and managing director of this SICAV, Uni-MT, explains. "We benefited from a market phenomenon. We bought bonds at variable rates when there was absolutely no market for them and they stood at 95 percent of their nominal value. Since, their value has increased substantially."

Will variable rate bonds continue to be overquoted? The 27 billion francs in bonds of this type available in France to date are not enough to satisfy the demand. This will perhaps no longer be the situation when the 35 billion in National Industry Fund and National Bank Fund indemnity bonds which will be placed soon with the holders of stocks in the companies to be nationalized, also indexed, are listed.

Number of Bonds Issued to Double

Paris LE MONDE in French 9 Feb 82 p 19

[Article by Francois Renard: "Government Wants To Double Total Bond Issues in 2 Years"]

[Text] The French bond market, traditionally narrow in comparison to its foreign counterparts, whether it be the United States, Great Britain, the FRG or Italy, is in the process of changing drastically, and even, some say, literally "exploding."

In 3 years, bond volume has almost doubled, and the goal of the new government is to double this volume again in the next 2 years, increasing the total from 106 billion francs in 1981 to almost 200 billion francs. The fact is that the demand is tremendous: state loans are expected to increase from the 25 billion franc total last year to 50 billion francs at least in 1982, to cover a part of a budget deficit in the neighborhood of 100 billion francs. Those in the public sector, traditionally high, will remain so. Such specialized institutions as the Credit Foncier (National Building Society) and the Credit National (National Credit Bank) will receive numerous solicitations. The EDF [French Electric Company] has not by far completed its nuclear program, and the 10 percent limitation on the increase in public rates will force the large national companies to have even greater recourse to the financial market. To this must be added the needs of the new nationalized enterprises, estimated at more than a dozen billion francs, those of the banks for their unregulated credit and, finally, those of the private sector, reduced to a bare minimum in recent times, but which must all the same be met.

In other words, the demand will be very heavy, in comparison to a supply which will have to be stimulated. This has already been the case since, carrying out a valuable revolution in the spring of 1979, Mr Raymond Barre's government decided to raise the bond issue rates massively and to favor long-term savings over short-term savings. The point was to encourage investment and to reduce recourse to monetary issues through the mobilization of liquid savings (treasury bonds, etc). This will continue to be the goal, because Mr Jacques Delors, recognizing that "savers have for too long been naive," intends as did Mr Barre to keep the remuneration on bond investment at a level higher than that of inflation, after the pattern of the FRG. He has even taken a step further by ordering reduction of the compensation on term deposits, henceforth ranging between 3.5 and about 9 percent, such as to get the banks to lower their rates in exchange for a decrease in the cost of their resources, and above all, such as to stimulate the transfer of short-term savings to long-term savings.

The success of this new policy, inspired once again by a foreign example, in particular that of Germany, means that the compensation for investment in bonds remains positive in relation to inflation, and that the fiscal regime for this kind of savings remains sufficiently attractive in householders' eyes. In this way the public authorities, while they hope to reduce the fiscal advantages linked with short-term savings, hope to provide support for long-term savings, with the one-time 25 percent deduction from bond income continuing in effect, in all probability, for a long time. Another condition, the provision of new instruments for the use of issuers and subscribers, would be pursued, whether in terms of new formulas such as issued at variable rates designed to safeguard both lender and borrower against rate variations, or the new joint investors funds and the SICAV treasury securities in the form of bonds.

All of these efforts will doubtless have the effect of raising the French bond market to the rank which has long been its due and making of it a powerful tool in the hands of a modern industrial nation.

#### Nationalizations Affect Stock Market

Paris LE NOUVEL ECONOMISTE in French 25 Jan 82 pp 80-81

[Article by Jean-Marc Biais: "The Paris Stock Market--A New Deal"]

[Text] New York is plunging and Tokyo sagging. London and Paris, alone among the major financial markets, has had a rising index since the beginning of the year. It is true that the Paris market was somewhat disappointed to see that the formula for compensating the nationalized enterprises perfected after the comments made by the Constitutional Council was based only on an average of the stock exchange prices (that of the month which was the highest, for each company, during the period between 1 October 1980 and 30 March 1981. This figure will be increased by the inflationary rate (14 percent). But there will nonetheless be 35 billion francs in National Industry Fund and National Bank Fund bonds which will be paid to the former stockholders instead of the 30 billion francs planned. Not all of these new bonds will be retained by the bearers. Some of them will be resold and reinvested on the stock market. This sum will be added to the dividends paid the holders of stocks in companies to be nationalized for the 1981 fiscal year (about 2 billion francs) and to the capital obtained in December 1981 by the Monory SICAV, which will have until 31 March to put it to use.

This flow of supplementary liquid assets will become available while the market has a reduced potential. The disappearance of the quotations for 5 industrial groups, 18 banks and 2 financial companies will in fact create a hole in the stockbrokers' enclosure which it will be a long and difficult task to mend. The extent of this gap can be measured in terms of capitalization (stock market quotations multiplied by the number of securities issued by the company). The nationalized companies represent capitalization of more than 30 billion francs out of a total of 220 billion. But the sudden loss becomes clearer when one takes into account the portion of the capital which is really available on the public market, that not held by the majority stockholders ("on the market"). The groups which will be taken to the bosom of the state are among those whose capital is the most heavily watered. A recent study by Alain Ferri shows that, once the nationalizations have been carried out, the overall "floating capital" on the Paris Stock Exchange will be no more than 100 billion francs. The capital securities available in excess of 1 billion francs will come to no more than 13 (led by Air Liquide with 5.6 billion, ELF [Gasoline and Lubricants Company of France]-Aquitaine with 4.4, BSN with 2.2, CFP [French Petroleum Company] with 1.8, and Lafarge with 1.6).

It is true that investors may have a broader choice with the introduction of new stocks. Mr Yves Flornoy, a representative of the stockbrokers, recently reported some 20 files under study. But this may take 2 or 3 months to conclude. For a limited time, then, the "paper" offered in Paris will remain below the level of demand. This is the reason for the current increase, which involves not only the sectors quoted on the stock market which were in demand after the presidential election (firms with heavy export volume, distribution and farm-food sectors), but also securities which depreciated heavily in 1981 (automobiles, oil, equipment goods). "Last summer, the market sought ways to protect itself against the deterioration of the

French economy and the franc. Today, the atmosphere has changed," said Mr Daniel Cruse, company agent for Meeschaert. "Investors are betting on a revival of French industry." "The industrial companies will benefit from an improvement in their margins and their results in 1982, Miss Monique Bourven, head of the Farm Credit SICAV, adds.

Among the investors' rediscoveries are, first of all, automotive stocks. Peugeot, first of all, up 30 percent in 2 months. Some analysts in fact predict a definite recovery in the situation of the French group, because of the upturn on the European market. In the view of the Cholet-Dupont management, the results per stock will come to about 75 francs for the 1982 fiscal year (as compared to a loss of 110 francs in 1981). However, these optimistic predictions are not unanimously shared. "Recovery for Peugeot depends too much on the success of its latest models," Mr Jacques Sigalla, a colleague of stockbroker Patrice Wargny, objects. "I prefer Michelin, which should show improvement of 75 percent in its results in the course of the next 2 fiscal years." Another possibility of gambling on recovery in the automobile cycle lies with the equipment manufacturers. For example, Valeo and PM Labinal, which in addition to its aerospace activities, produces cables and filters for light and heavy-duty vehicles.

A second field for action by purchasers is oil. The star in 1980, this sector was particularly depressed the following year (ELF lost 42 percent and CFP 50 percent). The hope of a new and more favorable regulation of refined product prices has led to an upswing in interest in these securities. This is an enthusiasm about which there are some reservations, such as those of this SICAV manager: "The future indexing of refined product prices will indeed be favorable. But it does not resolve all the problems in an industry which, in the other European countries, is experiencing difficulties, although it has enjoyed price freedom for a long time. Only a recovery in world activity can bring about a substantial recovery in this sector."

Other new targets include the equipment goods enterprises. In the first 15 days of 1982, Alsthom advanced 15 percent and Creuson-Loire 22 percent. The stock exchange is vulnerable to a certain voluntarism on the part of the public authorities, which hope to develop investment in the public sector, which is a heavy consumer of equipment goods. To this must be added another factor, which Mr Sigalla stresses. "The hour has struck for securities sensitive to the parity between the franc and the deutschmark," he explains. There has been a devaluation of the franc, and this is not reflected in the quotations for companies with major interests in Germany, where the main competitors are German firms.

Finally, we might note several special situations, for example SEB (household appliances) and Radiotechnique (television sets), which will benefit from the upswing in domestic consumption. Or Essilor, which should see definitely improving results again in 1982 (70 francs as compared to 58 francs per stock, according to agent Patrice Wargny).

This new wave of securities does not eclipse all of those termed "defensive" at the middle of last year. For example, BSN, which after the Boussois transfer became a group dealing solely in food again, is generously surpassing its highest 1981 quotation. Lesieur and Moet-Hennessy also stand at high levels. The construction and public works sectors remain attractive to certain buyers. Others, however, fear a slump in the expansion of this sector abroad because of the decline in the income of the oil-producing countries. "They are maintaining their position at

the expense of profitability," one analyst says. Securities in the distribution sector also still have their supporters, although some fear the consequences of future regulation in the credit supplier sector and the development of large areas.

In 1981, the Paris Stock Exchange was the most seriously affected financial market in the world although the economic situation was no worse than in many other countries. It should not make the mistake, after having committed the sin of excessive pessimism, of yielding to excessive optimism. Now many questions remain to be answered. Will recovery in France be reflected in the course of the year by a recovery of the Western economies as a whole? Another uncertainty: Will the Dautresme Commission recommend measures favorable to the stock market, as many investors seem to believe? We will have an answer within 15 days.

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**FITERMAN ON TRANSPORTATION POLICY, COMPETITION, COST**

Paris LE MONDE in French 16 Dec 81 pp 1, 40

[Interview with Charles Fiterman, minister of transportation, by James Sarazin; date and place not given]

[Text] In the interview he granted us, Charles Fiterman, minister of transportation, outlined the guidelines of the policy he intends to follow vis-a-vis the SNCF [French National Railroads], highway transportation and the airline companies.

[Question] Like all public services, transportation is either paid for by the user or the taxpayer. To date, the policy in this area has always hesitated between the two formulas. You yourself have spoken out for the right to transportation and admitted that it must be paid for at its economic and social cost. Do you believe that the economic equilibrium of transportation companies can be sacrificed to their social vocation as a public service?

[Answer] I believe that one must not pit economic and social effectiveness against one another. The preceding policy sacrificed both because the objective pursued was to limit the cost of transportation to the maximum extent. That was done within the framework of excessive competition, bringing enormous pressure on prices, which went so far that it placed many of the companies in the sector in difficulty. That is true for the SNCF as well as for a large number of trucking companies, without mentioning the inland water transport companies, where the situation is equally difficult and where, for the same reasons, they tried to bring pressure on working conditions and wages and to achieve parity at the lowest possible level.

Henceforth, it will be a question -- and this is the meaning of the decisions made by the Cabinet on transportation policy -- of moving in a totally different direction. Transportation must be paid for at its true economic and social cost. It is not a matter of doing away with competition, of giving up the search for economic efficiency and productivity, but these factors must come into play in a general framework that is healthy and fair, not destructive. The cost of transportation must be paid based on a just price. At the present time, it is usually underestimated. Rates are too low.

This is particularly true with respect to freight hauling, in which case the activity of the haulers, no matter which ones they may be, must take place under normal conditions, which is frequently not true today. Concerning passenger transportation, the problem is different because we must have a rate policy that is consistent with the desire to promote mass transportation, particularly for commuting, to make the right to transportation, the right to travel -- which is one way to enrich life, gain knowledge and culture -- a reality. Insofar as this dynamic orientation makes it possible to find new customers, it will also be effective from the standpoint of the search for sound management.

As you can see, economic efficiency and social effectiveness can go hand in hand, as long as one stipulates that this is a sector of activity which, because of its very characteristics, cannot make high profits and that any serious policy in the field necessarily results in the fact that the user will pay a reasonable, graduated fare depending on the type of service -- after all, there are all kinds of users -- and the government will engage in promotion and redistribution within the framework of precise economic and social objectives.

[Question] At your first press conference, you said that you favored a certain kind of competition and liberalism in domestic transportation. But have competition and liberalism not traditionally been the rule in this sector, with the results we see: the ruin of the railroads, deterioration of the river fleet and an enormous cost of the road policy borne by society? In order to clean up this mess, do we not need, in contrast, a certain amount of planning by the government?

[Answer] I have already had an opportunity to say that the speech was liberal but our practices authoritarian, for when one speaks about the user's freedom of choice and the situation is such that he cannot find the train he needs or any other kind of mass transportation at a reasonable distance from his home, then there is no more freedom for the user. When the truck driver, whether he be hired or working for himself, is totally dependent with respect to his working conditions, then there is no more liberalism at all. Consequently, liberalism is just a word. In truth, the previous policy was authoritarian, bureaucratic.

For the leftist government, the choice is not between a centralizing, authoritarian planning and a wildcat liberalism that has led to the mess you see. In a developed country such as ours, there is a great diversity of transportation needs, both with respect to freight and passengers. Consequently, there is room for diversity in our responses: Every type of transportation has a role to play within the framework of improved complementarity between the different types.

This naturally presumes voluntary vocation on the part of the government, but also, with a concern for effectiveness and respect for the necessary diversity, the existence of competition developed on bases that are just and sound and without, as was previously the case, entailing additional costs for the community. In other words, it must be controlled competition.

[Question] Your commitment to the railroads has given rise to concern among those in highway transportation. Can these two types of transportation be complementary or must the rehabilitation of the railroads come about to the detriment

of road transportation? Can long-distance highway transportation be brought into question?

[Answer] Yes, there can and must be greater complementarity, sought and obtained within the general framework of developing government policy -- that is, in connection with the revival, the priority given to jobs. It is not a question of dividing up hardships, but of developing both freight and passenger traffic. It is within such a framework that we intend to grant new attention to rail traffic.

Moreover, in the past, we did not do harm to the railroad in building a golden bridge for road transportation. Actually, we used the characteristics of the sector of road transportation, its scattered nature, the conditions of the haulers, to bring pressure on all costs, prices and social conditions of the activities, which did hurt rail traffic, but a large number of road haulers as well. The objective is to give greater attention to railroad transportation, while working to improve the general conditions in the sector of road transportation. It is a dynamic concept.

#### Financial Situation of SNCF

I would add that giving greater attention to the railroad does not mean having an old-fashioned view or using ideological or political preconditions; absolutely not. It means paying serious heed to the current conditions and future of transportation in a country such as ours. The railroad is a tool of the future because it makes it possible to respond to transportation needs while meeting the absolutely imperative essentials of today. I am thinking of energy conservation, safety, regularly scheduled transportation, protection of the environment and a dynamic policy of developing the territory.

[Question] You introduced yourself as a "minister who believes in the future of the railroads." But the future of the railroad presumes the resolution of a certain number of financial and legal problems. First of all, how is the SNCF to emerge from the state of near bankruptcy that you denounced?

[Answer] It is true that the SNCF is facing very serious difficulties. The material and financial situation of the SNCF, the image it too frequently gives, the condition of its structures and even sometimes the mentalities created there emphasize the extreme heaviness of the heritage passed on to us and the difficulties we must face to bring about the recovery and revival that are absolutely indispensable.

We are beginning to go to work on it. The results are still limited but effective. I know very well that here and there, the feeling is that things are not moving quickly enough and I understand that those aspiring to change want to see it coming about in life. But things have begun to move forward, in keeping with the desire expressed by the country and the political commitments that I have made and must keep.

There are several types of action to undertake. We must lighten the financial burden on the SNCF because of the fact that it is systematically forced to resort

to borrowing on the financial market at extremely high rates of interest. An initial decision made will be reflected in the next budget. The government must fulfill its duties as a shareholder in a way that is still limited but which is an indication for the future.

Moreover, we must review the rate policy, particularly with respect to rates for freight. It is curious to note that those who never stop talking about truth in costs and pricing have "forgotten" to apply the principle in important fields.

Next, a new commercial policy must go after new customers. This presumes proposing well-adapted service, proper schedules, new ways of traveling by train. I am thinking here, not only about the TGV [high speed train], but about experiments such as those at Cevenol or Alpazur, which must be developed and expanded.

We must therefore reexamine, as we have begun to do, together with the regions and departments, the situation of what is called the "small lines." Here also, we must use an aggressive, constructive approach.

The SNCF, the railroads, must regain the social role played in the past, but which has gradually declined: a leisure time activity, a means of travel for sports, and so on. This requires an effort of imagination, a great deal of tenacity. That is what we have begun to do to inject new life into this great enterprise.

Everything I have just said poses one basic question: profitability. Nothing is more unpleasant to me than to see public services always identified as services operating at a deficit. I have a broader and more dynamic concept of public service, which must incorporate everything tending to meet collective needs, within the framework of healthy management. If, in order to evaluate that good management, one refers, as has always been done, to the exclusive criterion of profitability in the short run, line by line, service line by service line, on the basis of a distorted definition of costs, then one is making a mistake.

Actually, the strategy giving priority to this narrow notion of short-term profitability must be replaced by a strategy of development while meeting needs, while seeking and obtaining strict, sound management. Naturally, one must take into account, when evaluating results, such general factors as energy conservation, personal safety, the best possible protection of the environment and even reduced fatigue.

I believe that there is a new type of profitability to be envisioned. We must admit that for the time being, we do not have all the instruments for measuring it. If we want to move ahead on the path of change, without being content to manage the company as it is and on behalf of those who have always derived profits from it, then we must forge new tools for approaching economic circumstances and management. There is a new concept of social and national profitability to promote.

[Question] Negotiations in the SNCF and the RATP [Paris Transport Authority] have just concluded with agreements. Do those agreements, which you have termed positive, fit into the policy defended by Delors?

[Answer] I in fact stated that the results to which negotiations in the SNCF and the RATP had led were positive and I am happy about them, quite simply because they will permit a favorable evolution of the social situation in the companies due to improvements made for personnel with respect to low wages, the length of work and working conditions, jobs and democratic rights. It is a real turning point in the lives of those companies.

Naturally, these are only the first steps. There are limits, which means that the trade unions have expressed reservations on certain points. Nevertheless, we have here the proof that by acting seriously and with imagination, by doing our utmost to take the concerns of the different trade union organizations into account, while following the strict framework of the guidelines set forth by the government, it is possible to obtain the broadest agreement and to move forward.

[Question] And what about highway transportation? Negotiations led nowhere.

[Answer] I have in fact had the opportunity to tell the congresses of highway carriers that it was unthinkable for the sector of road transportation to remain outside the movement which is marking, which will mark, the entire national economy toward a reduced work week and improved working conditions for wage earners. This is especially true since in far too many cases, the current working conditions of road carriers are not normal, sometimes even unreasonable. At the same time, I indicated that as minister of transportation and in keeping with the guidelines adopted by the government, I intended to try to solve a certain number of problems experienced by the profession having to do with the determination of prices or the structures of the sector, which needs to be reorganized.

I must tell you that I am disappointed by the failure of the negotiations and by the fact that the proposals made by employers organizations could not lead to an agreement.

#### Role of Regional Authorities

[Question] Did they appear to you to be inadequate or quite simply, the beginning of an improvement, at least a path that might lead to future improvements?

[Answer] I would simply note that they did not obtain the backing of the organizations representing the wage earners, and I even heard most of them say that not only was there no substantial progress, but in some cases, there were setbacks. I have said that I was disappointed and that I regretted the situation, especially since the concern had been expressed that this matter should receive equal treatment by representatives of management and workers.

I respected that desire, thinking that it was in fact a good solution. Now I am forced to intervene. Contacts have been made in order to outline the positions on both sides. I make it a rule to respect concerted efforts, but these contacts must lead to conclusions marking significant progress.

[Question] Are national and even international needs in transportation compatible with the regionalization and decentralization implemented by the government? What role will the future regional authorities play in the organization and management of means of transport?

[Answer] That is a question on which we are now working, and not only in the ministries. I have made several trips to the provinces and have discussed the problem with departmental and regional elected officials. The transportation sector will not be left out of the decentralization movement and new competencies in the areas of the organization and management of means of transport should go to the departments and regions, both with respect to road and rail transportation.

We shall therefore have to deal with the matter of means because we do not go along with the previous approach, which consisted of transferring the burden without providing any additional means. Respecting these principles, the government will naturally have to continue to have means of developing a national policy -- decentralization and planning must go hand in hand -- and not only for the national transportation system, but in order to support the effort of the territorial communities in fields which may have general significance for the transportation policy.

There are methods to be defined in order to decentralize while ensuring national unity -- that is, in order to ensure the balanced development of the entire country.

[Question] Will the government give more support to urban and interurban transportation in the provinces? And if it does not, must it continue to subsidize the operation of Parisian mass transportation?

[Answer] The current setup, linked to departmental arrangements or development contracts, is not satisfactory. You were speaking about the generosity of the government. In this case, I would be more tempted to speak about stinginess. It is not adapted because not only has it led many mass transportation organizations into serious difficulties, even bringing the maintenance of what now exists into question, but it does not constitute adequate support for ensuring development priority for the urban and interurban collective transportation that we have included in the new transportation policy.

Consequently, in connection with the process of decentralization, but perhaps while envisioning certain emergency measures, there is a need to review the set-up. Within this framework, the territorial communities, the organizations responsible for mass transportation -- whether in the Parisian region or the provinces -- must be able to have new resources in order to meet their needs and follow a dynamic policy with decentralization of even the heaviest responsibilities.

For example, I recently went to Nantes, where the problem of crossing the Loire by means of a tunnel or a bridge was being considered. The choice was to be made by the elected officials, with the government merely setting the amount of the contribution. That is what was decided. I do not believe that such a choice can be made in Paris, in the ministerial offices, as was so frequently the case in the

past. I therefore left it up to the elected officials of Loire-Atlantique and the region to decide the matter.

[Question] With respect to the responsibilities you have for the management of mass transportation in Paris and the possible transfer of these responsibilities to the region, will the 1976 proposals be maintained?

[Answer] We were not elected to apply the policy of our predecessors, but to bring about a certain number of changes. In this field, it is so necessary that even the regional elected officials of the former majority could not assume the terrible responsibility of ratifying the proposals of the previous government. It is therefore a matter of reexamination, which must lead to a reform of Parisian transportation, taking both the regional and national interest into account.

[Question] Will your announced priority for mass transportation go so far as to bring certain highway investments into question?

[Answer] In order for mass transportation to be effective, we must also have roads because the two are complementary. I would point out that from the national standpoint, road investments are not down in the 1982 budget. We are making a big effort to maintain the roads, to have a coordinated improvement program. We also want to grant more attention to bypasses, to roads leading around urban areas.

[Question] Does construction of the wide-gauge channel between the Saone and the Rhine have priority in 1982? What is the long-term economic interest of this very costly investment? Are you not afraid that it will mainly help industrialists on the Ruhr?

[Answer] Development of river traffic is necessary because it is a means of transportation that has a place in the general system which the country needs. We are considerably behind. With respect to infrastructure and equipment, we have an extremely heavy handicap. A masterplan will be worked out in connection with implementation of the Eighth Plan. It will define the means of gradually catching up.

In the meantime -- that is, within the framework of the interim plan, particularly the 1982 budget -- we have brought about an initial shift, a reversal of the trend. Our efforts are aimed at a few significant operations rather than to ineffective small allocations here and there. Only within the framework of a masterplan can we define priorities and deadlines. It is urgently necessary to actively pursue concerted action and study problems in order to outline initial measures to be taken.

#### Air France, UTA [Air Transport Union], Air Inter: Distribution of Roles

[Question] If there is a field in which competition does not reign, at least nationally, it is definitely air transport. Three companies share the domestic and international market without encroaching upon each other's territory. Is this a healthy situation for the user? Why not have a single company or, inversely, the establishment of competition between the three carriers?

[Answer] For domestic transport, organization of the market between Air Inter and the regional companies does not mean, in my opinion, that the needs of users will not be met. The service and rates offered by Air Inter are totally competitive and generally withstand a comparison with rates practiced in the United States. The position that one must give free rein to uncontrolled competition has already had devastating effects on the international level, for the organization of this sector requires heavy investments, coordination of the different services offered and not only a skimming of the "profitable" connections. Therefore, if one truly wants to meet the needs of the users nationally and internationally, while allowing competition, one must preserve the organization of the traffic and the setting of rates.

Internationally speaking, Air France and the UTA complete one another. There is a certain distribution of roles. This does not mean that there are no problems of structure and balance. One has to think about them and handle them.

[Question] Air transportation on demand is not doing very well in France, compared with certain neighboring countries. Is the administration not tending to discourage independent carriers to the benefit of the big companies?

[Answer] It is not a matter of discouraging independent carriers, but the results show that in this field, one cannot just operate however one wishes, without respecting the rules. The coherence of the system as a whole determines each one's role. A greater role must be given to transportation on demand. There are questions of employment that are posed in air transport, which is why I have decided to undertake an overall study and call a roundtable with all interested parties. It will take place within the next few days.

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CSO: 3100/304

## LABOR PARTY'S MEIJER ON ECONOMIC, SOCIAL POLICY

Amsterdam ELSEVIER'S WEEKBLAD in Dutch 9 Jan 82 pp 32-33

[Report on interview with Wim Meijer, Labor Party parliamentary party leader, at his home in Rotterdam, on 31 December 1981, by Piet Goosen and Nico van Grieken: "Apparently Everyone Wants To Run his Head Through the Wall"]

[Text] "The image of instability, uncertainty and doubt is predominant... This is no time to solve problems with a big power struggle, it doesn't work anywhere. But the conflicts are extraordinarily big."

Three hours of talking on New Year's Eve.

Wim Meijer, parliamentary party leader of the PvdA [Labor Party], talked about the unique task of the administration, the mission of the PvdA, the most vulnerable elements in society, bureaucracy, the jobs plan, union criticism, the employers' boycott, the party council and nuclear weapons.

It was the morning of New Year's Eve, at Wim Meijer's home, overlooking the Meuse Boulevard in Rotterdam. On a day like that, it would be very hard not to contemplate the spirit of the time, even as the first glass appears on the table quicker than usual.

The PvdA parliamentary party leader commented: "The election picture is one of increased uncertainty all along the line. Social security, problems of security and socio-economic problems have become so palpable, so close to the people. The image of instability, uncertainty and doubt is predominant."

[Question] And does this also apply to politicians? Confusion also seems to have increased among them, in the sense of how you come to grips with the developments?

[Answer] Yes, I do believe that that is true. Many recipes have been tested, for example in the socio-economic area; while expectations were not met. This also leaves a trace of uncertainty behind in politics. I believe that a similar confusion can be found in other large social organizations, such as the union movement and employers' organizations. There is a return to old, simple positions. People are once again looking for the familiar points of departure.

While there is only one road to solving the current problems, namely to achieve a consensus, this occurs less than ever within and among the parties. This is no time to solve problems with a big power struggle, it doesn't work anywhere. But the conflicts are extraordinarily big.

[Question] Such as with regard to the jobs plan.

[Answer] By its very nature, the significance of the jobs plan lies in the very concrete fact that it will create new jobs. But as far as I am concerned, a kind of institutionalized form of negotiation among all those who are responsible for job opportunities is equally important. I find the procedural aspect of the jobs plan, the fact that everyone is getting his nose rubbed into the facts and is showing willingness to participate in a solution, as important as 60,000 concrete jobs in 1982. I see the function of the plan as a catalyst for solving the unemployment problem.

[Question] Just talking does not produce any real jobs.

[Answer] No, and in the short term we should not expect too much in terms of the creation of new jobs, other than directly via community tasks. I believe that new jobs, other than directly via community tasks. I believe that new jobs, specifically in the market sector, will take some time. First, the situation in the branches of industry will have to improve, after which new jobs will once again be available. I see it a bit more somberly though. I am taking into account that for the time being we will have to deal with a loss of jobs instead.

#### Positions

[Question] You said that there is a return to old, familiar positions. They seem not to work or only badly. Isn't it about time to look for new positions, for much more fundamental solutions?

[Answer] Would you name an out-of-date position that no longer seems to work?

[Question] Well... savings everywhere and everything will be all right again.

[Answer] I agree, but it never was my position either.

[Question] Vice versa: if you don't save, while competing countries do, then things will also go wrong.

[Answer] Yes, right... I don't believe that at this time politics is avoiding the problems. But I have to admit that we don't have a solution yet for the following problem: in the past, a decline in economic growth could be solved by expanding consumer spending, the Keynesian model. Now, for the first time, we in the West are faced with a structural and a cyclic crisis, which cannot be solved by widening the deficits or expanding expenditures.

We now have to act along two political lines. To effect a shift in spending, from consumption to investments, and at the same time the government must economize. With such a shift in spending we would, in fact, be conducting a fantastic struggle

with society, to motivate people to be satisfied with a lower level of consumption for the sake of job opportunities. In addition, the government must implement a savings program, because a continued high financing deficit in a time of low growth prospects would be irresponsible.

#### Fairer

I admit that this is a unique task. Because within the lower distribution level a number of goals must be achieved simultaneously: the purchasing power of the lowest income groups must be protected, and people must be motivated to give up work, and thus income, for the sake of a fairer distribution of labor. We are not quite sure yet how this will have to be done precisely -- and in this the policy is being hit hardest by criticism, I realize that. But the criticism that it does not see the problems, that I reject.

[Question] But the different political solutions are too theoretical, not concrete enough, too makeshift or socially not acceptable.

[Answer] We are tackling the problems, but what we are lacking is confidence that the road we have taken will lead to solutions. That is a big handicap, socially and politically. Such a confidence is essential, because a large part of our socio-economic life is based on confidence.

[Question] The economic malaise has sharpened the political conflict, but it is hardly of a political nature. It is more a conflict about figures after the period

[Answer] The basic conflict in society concerns the question of where to impose the heaviest burdens in a declining economy. Will the burdens be imposed on the unemployed, the sick, the aged, the minimum wage earners, the social benefit recipients, or are we going to conduct an income policy? In this sense, there has been a sharpening of the conflicts between the actively employed and those not actively employed, between the people on the bottom, the middle groups and the higher income groups.

The formula of the Den Uyl administration -- a fair distribution of knowledge, income and power -- was a coherent formula. Now labor has been added to it. In our society, labor means access to income and participation. If you have been excluded, then all these kinds of access possibilities are reduced. And this is precisely what the political conflict is all about.

#### Influential

Wim Meijer (42 years old), former social worker, former municipal council member in Hengelo, former member of the New Left and since then, like many others, a leader of the party, and former secretary of state for CRM [Ministry of Culture, Recreation and Social Work], is not a man of big words. More than 2 years ago, he lost the race for party president to Max van den Berg. However, for years he has been influential behind the scene. Now he has been parliamentary party leader for a couple of months (even though Den Uyl remains the political leader of the PvdA). What drives him?

"To provide protection for those people who feel the economic decline the most, to turn back the attack against the weakest. To safeguard the positions and interests of those people who are most vulnerable, while preserving a number of values, such as emancipation, humanity and a voice for the people. Furthermore, to encourage creativity in all kinds of areas, from the self-organization of population groups to the stimulation of entrepreneurs to once again produce progress."

He named the long standing lack of any policy on consumption prospects as one of the major challenges. Continuously having to explain to people that it is desirable, for the sake of job opportunities and public benefits, to take a step backward is one of the most difficult tasks, "but therefore definitely right."

[Question] The administration is implementing a further equalization between the minimum wage and the average wage, while virtually everyone says that this is no longer possible. Whereas the government agreement states that no further equalization can be allowed between the minimum wage and that of "the skilled laborer."

[Answer] What is involved here is a ranking. Given the limited room for distribution, you cannot say: the purchasing power of the minimum wage will be maintained -- the FNV [Netherlands Trade Unions Federation] still says this -- while at the same time the gap between the minimum wage and the average wage cannot be narrowed. You do have to choose, and the PvdA and the administration have made their choice: the minimum wage earners lose some of their purchasing power, but comparatively little. The average wage earner loses a little more, so that some equalization does take place, 0.5 percent or a little more.

#### Dilemma

[Question] The points of departure -- to maintain as much as possible the purchasing power of the lowest incomes and to create jobs -- could be incompatible. It could be that through further equalization some kind of impetus is taken out of the economy.

[Answer] Yes, I do follow your line of thought and am not pushing it completely aside. We give absolute priority to employment, but with the instruction that, if at all possible, the minimum wages will not be touched in terms of their purchasing power. I am well aware of the dilemma between employment and income development. But even though the PvdA gives priority to employment, we are not losing sight of the income objectives. A society which does this slides down and shifts the burdens of the economic crisis unilaterally onto the weakest groups. It is eminently the task of the PvdA to guard against that process.

[Question] In September 1980, the Planning Bureau predicted an average unemployment in 1981 of 280,000. The average turned out to be 380,000. The negative developments are occurring much more rapidly than either the Planning Bureau or the politicians anticipated. This does not give one a great deal of confidence in the ability of politicians and government bodies to tackle the problems fundamentally and forcefully.

[Answer] To effect spending shifts in the direction of job opportunities and at the same time curtail the government costs is a very fundamental and painful political process. This can only be done at a certain speed. I think we have reached

the border, if we have not gone beyond it yet, where the combination of income moderation and savings in the social sector creates new unemployment in and of itself. This is temporarily inevitable, but you have to make sure that one savings as it were leads to another. That is my main objection to the policy of Lubbers and Van der Stee. While we are still in the process of implementing the largest retrenchment operation a government has been involved in in any one year, they are once again pleading for a new round of retrenchments, which would probably make the ailment even worse. There is a limit to what society can handle, in terms of pace and in terms of size. I say: do not act like a madman with these retrenchments, because then they will become counterproductive.

Furthermore, I have noticed that the previous administration has made a fine mess out of it, by actually talking only about savings on paper.

#### Specifications

[Question] So, in your opinion, the previous administration should have saved 10 billion guilders, but in a better way?

[Answer] If they had only done it in a responsible manner! But I was opposed to the Specifications policy. And that was precisely the stake of the political conflict this fall, when the CDA [Christian Democratic Appeal] and the D'66 [Democrats '66], alas, became involved in a mistake. The CDA thought that the administration should simply continue the Specifications policy, without the matching employment policy. Well, I don't believe in savings without an active employment policy. In that case you would be removing the innovative character from it, you would be taking away political steering mechanisms in the direction of job opportunities, and you would be conducting a pure spending limitation policy.

[Question] In your opinion then, the government's financing deficit can only be reduced very gradually, in the hope that compensation in terms of jobs can be found in the market sector to effect it?

[Answer] Precisely. Unemployment forecasts have not proven correct, and the same applies to the financing deficit. The previous administration based its objectives for 1981 on a 5.5 percent deficit. It came out to more than 8 percent. It is not the level of the deficit which is disturbing -- that can be partly explained --, but rather its unmanageability, the fact that the government apparently no longer has any control over the financial economy. Hence, I am much more interested in a gradual reduction, but its unmanageability, the possible disruption has to be tackled first.

In spite of everything, Wim Meijer is optimistic. He believes that we will manage to get out of it in the coming years, even though the adjustment process will be coupled with tremendous shifts in people's ambitions, living customs and opportunities. The goal of full employment will naturally remain, "but in different proportions." People will work less long, and new cultural challenges will appear.

#### Suffocating

The PvdA is undergoing a process of self-analysis and looking inward. With regard to General Considerations, Wim Meijer was particularly critical about the welfare

state which has created a new dependence among people and has become a paralyzing mechanism in society. Bureaucracy also rankles him. "The system is immobile, hierarchic, inflexible, suffocating; it does not produce any decisions; there is a great deal wrong with it. For a number of reasons, the socialists need the state apparatus for their policy. We don't have strong support in business, we don't have a buffer of social groups, which rightwing political groups do have. But perhaps we still have the wrong image of the possibilities of the state apparatus. Over the last 10 years, we have started thinking much more critically about the possibilities and impossibilities of a central government apparatus, which is a very interesting development within the PvdA. We have gotten much closer to the line of basic democracy, of decentralization."

[Question] But then the national direction would be reduced. Aren't the wage measures and the jobs plan -- once again -- two centralizing measures?

[Answer] The biggest mistake is to say that there is no central responsibility with a decentralized policy. The ideology of absolute decentralization does not exist. It would mean the negation of central responsibility and the end of the unitary state.

I believe, though, that the jobs plan should be set up to a high extent in a decentralized manner. Because the agreements between Van Veen, Kok and Den Uyl do say something about the direction, but a really effective filling in of the employment policy can only take place at the level of the enterprises. It involves the willingness of employers, workers and the government to develop agreements on how to keep and get young people employed, what to do with parttime work, the shortening of working hours and income development. Furthermore, I find it unfair in terms of judging the jobs plan (which is a rotten word anyhow) that the government is barely given time to put something on paper and to try it out. It has already been written off, smashed to pieces, ruined, and every imaginable resistance has been mobilized against it, even before the administration has had a chance to show anything.

And, in my opinion, too much hypocrisy has been displayed in terms of the wage measure. After all, it was known that the administration had made a choice in favor of an income distribution of minus one for minimum wages and minus four for the highest income groups, wasn't it? I have the same comment about the criticism from the trade union movement. Does the union movement have a better instrument to achieve this income objective? If not, then one of two things will have to be done: either the income distribution is endorsed and the wage measure accepted, or the income distribution is not accepted -- but then it should also be said straight out that all the programs drawn up by the unions in recent years were nonsense. I am harsh in this, yes, because the unions cannot blow hot and cold either.

[Question] It must be painful that the CNV [National Federation of Christian Workers in the Netherlands] has applied for a temporary injunction against the state, and that the employers are boycotting the jobs plan negotiations, a situation wrought with conflict.

[Answer] It is with a bleeding heart that I see the CNV applying for a temporary injunction, the motives for which I absolutely cannot understand or accept. They are contrary to what has guided the CNV over the last 10 years in terms of income policy. The same is true for the FNV criticism of the wage measure.

As for the employers -- even if I have the highest possible understanding for the problems of the employers -- their refusal to discuss the employment plan with the government will certainly not increase understanding for their problems. It is all so fatalistic... Whereas the employers know that the solution can only be found within a common context, everyone apparently wants to run his head through the wall in his own way, childish stubbornness, one of them before a judge, the other with a boycott.

#### Opposition

[Question] It sounds like the situation at the time of the Den Uyl administration, when nine large entrepreneurs accused Den Uyl of poisoning the business climate. Such a clash exists again now.

[Answer] I do believe that some entrepreneurs rebel when the PvdA is in the government; I see that as a kind of natural opposition. But I find the VNO [Federation of Netherlands Enterprises] action particularly stereotypical. A reaction of anger; they have obviously not thought it out well. As a matter of fact, I have learned from a rather good source that there is a great deal of doubt, a great deal of mutual conflict among the employers about the course to be followed. I am convinced that the employers will change their minds. There is a large group which agrees with me -- even though we do not think alike -- that there is temporarily a mutual need for a few agreements, as was the case right after the war. Now is again such a time.

[Question] You have said in interviews that 500,000 unemployed individuals in 1982 is not acceptable. Next summer there will be that many. Such comments make us think: ouch, this is going to scare unemployment. You say that it must not be, but you, together with 149 other members of parliament and the government, cannot do anything about it.

[Answer] I am well aware that what counts is results and not predictions; you are right about that. But I do not have the magic formula to keep them from happening. With that statement, I meant that it is politically, socially and morally unacceptable to resign oneself to it. Just as we develop norms for the financing deficit, we must also have the courage to develop norms for employment, or unemployment, and that is the function of the employment plan. With such an objective in mind, I am willing to tell the people that savings have to be implemented.

I have noticed that we are exceeding the figure of 500,000 unemployed individuals much more rapidly than anticipated, even if the jobs plan is enacted. This makes the dramatization of the employment problem even worse; the social sensitivity, the pain, the consequences. Do not underestimate the consequences, specifically for the 250,000 young people who are left out for a very long period of time. This is why I did not say no beforehand to Andre van der Louw's plan. The implementation will run into problems and I realize how loaded the concept of obligation to work is. But I do not find it an unsocialist idea, on the contrary, to teach young people to become accustomed to work in the sense of carrying out social duties and responsibilities.

[Question] It may be one of the rare examples of, let us fashionably say, political innovation. It is not ideal, but under the given circumstances perhaps something to think about?

[Answer] Precisely. I believe that generally speaking we will have to become much more dynamic with the institution of social benefit payments. Large groups within the social benefit system can still, in part, do a great deal -- only the system does not activate them. It is an eminently socialist challenge to use one-third of the national income, which is the amount involved in social benefit payments, much more productively.

#### Coupling

The question is whether it is still possible, given the administration's goal of stabilizing public spending and because of the rapidly increasing unemployment expenditures, to avoid a reduction of social benefit payments. Wim Meijer called the coupling of the social minimum to the minimum wage a very good thing. It provides kind of a bottom line for honesty and justice; it provides a base for social solidarity. "It is of the utmost importance that the coupling be retained." Den Uyl wanted to reduce the WAO [Law on Labor Disability] payments in 1976; now, he is bringing back health benefit payments. "There will be a confrontation or else I will have to see whether there are better alternatives. If not, then we will have to think along with the government."

A definite alternative for the socialists would be family allowances based on income, but the CDA and the D'66 do not want to touch it. Meijer is angry about it. "To tell the government that it has to retrench further, but to reject one of the most obvious measures, that I don't understand. Lubbers and Brinkhorst have acted strangely in this respect. If there is a single transfer payment that should be made dependent on income, then it is the family allowance."

[Question] About the latest meeting of the PvdA party council. The mood threatened to reverse from "to govern is better than to be in the opposition" to "we are in it, but what is there to govern?" The parliamentary party policy concerning nuclear weapons was rejected and the party council nearly decided to withdraw from the administration. Apparently, the PvdA parliamentary party is not sufficiently able to bring across what is worthwhile in this administration.

[Answer] True, but the administration has barely had any opportunity yet of showing its face, it has only been in existence for 2 months. There are, of course, a few things... doubt as to whether we are being taken seriously. The manner in which Van Agt handled the government declaration, even though he corrected himself later on, gave us the feeling that we are not being taken seriously.

#### Infuriated

[Question] The shouting which occurred on the Museum Plaza when you addressed the peace demonstrators probably did not escape you either.

[Answer] By its very nature, I have to concern myself with the whole nuclear arms discussion. There were other, annoying matters involved. The non-participation of PvdA officials in the demonstration, while, in the evening, Van Agt had a nice story to tell on the newscast -- that is emotionally hard to take, and of course it infuriates me. The misunderstanding of my co-signing of the Lubbers motion... however much I may argue in favor of the need for negotiations on arms limitations, the

image of equivocation has become fixed, and that is what the party council was harshest about.

The best thing for the PvdA and for the country will be if time proves that we stick to our position. We are not participating in the deployment of medium range missiles. I do not consider that position to be open to change.

[Question] It will come to a rift then.

[Answer] First, let us look at what the other positions are. The D'66 does not want to deploy /at this time/ [in italics]. The CDA does /not want to make a decision/ [in italics] at the moment, but wants to let it depend on the negotiations. That is not contrary to our position, even though they leave openings. They are also trying to get out from under it. It is my deepest conviction that the CDA does not want to deploy either, and this is even more true for the D'66. They have also seen what is going on in the Netherlands in this respect... But if they were to make a decision to deploy anyhow... Yes, then there will be new elections. But I am doing my utmost to prevent that. If a decision to deploy were to be made, then you should not have any illusions as to what is going to happen in the rest of Europe. Then we would be on the eve of a tremendous wave of nuclear modernization. Then it will have been proven that international negotiations do not lead to reduction.

8463  
CSO: 3105/90

**EC MAY DELAY SPANISH ENTRY FOR PROTECTIONIST REASONS**

Madrid ACTUALIDAD ECONOMICA in Spanish 4 Feb 82 p 27

[Article by Ramon Rodriguez Lavin, correspondent in Brussels: "Spain's Membership in the EEC Is Delayed"]

[Text] Last week began badly for the European Economic Community and for Spain. On Monday, 25 January 1982, the "great crisis" broke out when the reform of the common agricultural policy and the budget failed. The result was several months of delay in Spain's entry into the EEC. It is said in Brussels that "by now no one dares to speak of dates."

"One thing has been clear since the start: There cannot be any expansion of the EEC without a change in the budget that would permit increasing the Community's resources." It is with these words that Louis Lauga, one of the heads of the fearful FNSA [National Federation of Farmers Union], the French agricultural trade union, presented the opinion of the EEC's Economic and Social Committee on Spain's joining the Community.

On 26 January 1982, a fishing agreement for 1982 was reached. On 27 and 28 January, textile and iron-and-steel issues were negotiated without Spain's accepting the "timid" EEC offers. Two more weeks and we shall have signed a document that is slightly less restrictive.

**Quotas To Reduce**

In the three sectors the EEC's secret goal is to force Spain to a restructuring of its capabilities so that on the day when we register the tonnage of our fishing fleet there may be a reduction of it, our iron-and-steel sector may be shrunk, and our textile sector not exceed its present limits. The instrument to achieve all this is the annual negotiation of quotas.

The clearest case is that of the fishing sector. Following more than 1 and a half months of inactivity by our fishing fleet, the EEC issued 130 permits representing 8,500 tons of hake and allied species.

This is the fifth consecutive year that the EEC has been tightening the screws on us. Whoever reads the opinion of the European Commission following Spain's application for admission will already have guessed the panic which our fishing

fleet experienced, "the leading one in Europe and third in the world, whose catches represent two-thirds of the fish caught by the EEC countries." Its gradual but inexorable pressure has managed to leave us with these 8,500 tons of fish whereas before 1977 we used to catch about 40,000 tons in the European fishing grounds.

In the iron-and-steel sector the EEC wishes that, as applicants in good standing for EEC membership, we should share its sacrifices. Accordingly, for 1982, Spain is being offered a quota which is 9.5 percent below that of 1980. While our share at that time stood at 850,000 tons, our present quota is 770,000 tons. It is somewhat larger than the 754,000 tons of 1981, a year that was particularly disadvantageous, since we did not even manage to reach our quota but used only 87.5 percent of it. The sector's EEC commissioner has given us an implicit ultimatum: Prior to 15 February 1982 we have to accept the terms; otherwise, the extension of 1981 will expire, there will be no agreement, and Spain loses its 6 percent market penetration bonus and its other relative benefits.

#### Textile Sector, Better

The situation is best in the textile sector. The "joint action memorandum"--a cryptic way to designate the existing self-limiting agreement--can be improved. Some quotas could rise by between 5 and 9 percent. Specifically involved are cotton yarn (present quota, 19,500 tons), shirts, undershirts, and T-shirts (quota, 11 million pieces), and discontinuous synthetic yarns and fibers (quota, 2,808 tons). But Spain wants these product categories not to be subjected to quantitative criteria and breakdown by countries. The EEC is not prepared to make concessions all down the line: Britain and the Benelux countries want to maintain their protection to the maximum.

In this atmosphere of disenchantment, the negotiations of Raimundo Bassols [of the Spanish permanent mission to the European Communities] on 29 January 1982--relating to Spain's EEC membership--lost a good deal of their interest. It is certain that Spain was presenting for the first time an important agricultural document with maximum secrecy (neither the EEC nor the Spanish agricultural organizations such as CONCA had been apprised of it beforehand), but in the existing climate, its "study" by the EEC's technocrats will take at least till May.

2662  
CSO: 3110/79

## NISSAN MOTORS, INTERNATIONAL HARVESTER ACTIVITIES DETAILED

Madrid EL PAIS in Spanish 6 Feb 82 p 33

[Article by Alberto Valverde]

[Text] The Spanish heavy automotive sector, which 2 years ago initiated an interesting internal readjustment process in response to the drop in demand and excess capacity facing it, finds itself on the point of concluding that process with almost opposite developments involving two of its most important firms. While ENASA [National Trucking Corporation] is suffering from the threat of a sudden withdrawal by its new partner--the American multinational corporation, International Harvester (IH)--the Japanese firm of Nissan Motors will acquire this month majority control of the private Motor Iberica [Iberian Automobile Company].

According to reliable sources, next Friday's Council of Ministers' meeting will authorize the purchase by Nissan Motors, Japan's second largest automobile firm and the third ranking in the world, of more than 51 percent of Motor Iberica's capital stock, an acquisition that will be effected through an increase in shares issued. The Spanish Government's approval is essential since it is a foreign firm which is acquiring majority control of the Spanish company. Nissan, which has held 36 percent of Motor Iberica's capital for approximately the past 2 years, will foreseeably control a little over 60 percent of the stock even though the exact percentage will depend in the last analysis on the actions of the other partners regarding the increase in capital.

This increase, announced to the press yesterday, is in the order of 2.196 million pesetas and takes the form of four new shares for each nine shares already issued, with an effective drop of 60 percent in each share's value. Even though it is difficult to know whether the various partners of Motor Iberica--Banco Urquijo, Banesto, Fundacion Roviralta, and private shareholders--will participate in the increased capital stock, the application made by Nissan Motors with the Spanish Government requesting authorization for an investment involving an interest of more than 50 percent allows one to suppose that Nissan wishes to acquire the issue in its entirety.

Sources familiar with the firm indicate that once it has acquired majority interest, the Japanese firm will consider reactivating its original plan of investments in Motor Iberica with the production of two new medium-sized vehicles--the Patrol utility vehicle and the Vannette delivery van--and very possibly the future

production and assembly of a 2-ton van. Similarly, Nissan wishes to be able to import some vehicles with which to complete its range of products in Spain--among other things, some vehicles to be produced shortly in cooperation with Alfa Romeo in Italy and a pickup truck assembled by Nissan's Mexican subsidiary.

The total investment that Nissan is considering making in the next few years, apart from the purchase of new shares, comes to more than 10 billion pesetas. On various occasions the Japanese firm has expressed its desire to "test" the Spanish automobile market with vehicles of its own line with the clear intention of making a possible investment in an automotive plant with Japanese technology in Spain. However, these plans have met some reluctance in Madrid.

#### Situation in ENASA

The case of International Harvester and ENASA is very different. After the decision to cooperate about 2 years ago with the highly publicized signature of an agreement to purchase 35 percent of the stock of the Spanish firm by the American multi-national corporation, International Harvester's falling into a serious financial crisis has stifled almost definitively all of ENASA's future plans and, particularly, plans for the new joint automotive engine plant, EIMSA [Industrial Engines Corporation].

Even though in the opinion of some experts International Harvester's financial crisis could have been anticipated several years back, what is certain is that the firm, headquartered in Chicago, has found itself forced to cut back all its expansion plans on direct instructions from the consortium of 225 creditor banks to which International Harvester owes \$4.5 billion. Among the affected plans are IH's Spanish investments.

According to international sources, International Harvester finds itself in a very uncomfortable situation when it comes to its relations with its Spanish partner, the National Institute of Industry (INI). On one hand IH would like to ditch its "Spanish adventure" by means of a very simple agreement: Its withdrawal involving a loss of 700 million pesetas which is the approximate total of its investments to date. In exchange, it would offer ENASA all the technical cooperation, instructions, and technology that it needs.

An authorized spokesman of ENASA denied, however, such an interpretation to EL PAIS. According to ENASA's version, IH is not about to leave Spain, as a British newspaper reported, but rather is holding up its investments in Spain. At this time, International Harvester lacks effective funds and its goal is to improve its own internal situation. But it has other resources such as technology and management techniques which are the very ones it is prepared to bring to ENASA.

The truth of this version is supported, according to the firm itself, by the letter of intent which the chairman of International Harvester transmitted to Carlos Bustelo, president of INI, on 27 January 1982. In it International Harvester expressed its desire to continue talks slated to find a common basis of cooperation even though it indicated that the sole objective of International Harvester at this stage was "to move only in those areas which generate immediate cash flow."

At any rate, ENASA's medium-term future is guaranteed, according to the enterprise. To the rationalization plans effected in the firm it is necessary to add the increase in some demand and the possible opening up of its products to other markets, some of the new markets (such as the case of Britain and Australia) facilitated by International Harvester itself. Similarly, ENASA has secured an important contract for the supply of heavy equipment to Egypt, which currently accounts for half of the company's production for the next 3 years.

Another important area is military equipment, which has made it possible to save jobs at its Valladolid plant.

Besides the introduction of management improvements and technological inputs from International Harvester (new gearbox in cooperation with a German firm, 12-liter engine, and so on), ENASA circles report that it will not be necessary to reduce employment at the firm.

2662  
CSO: 3110/79

**EUROPEAN DEBTS SAID TO 'CURB JUNTA'S EXCESSES'**

London 8 DAYS in English No 7, 20 Feb 82 p 21

[Article by Tim McGirk]

[Text]

**GENERAL KENAN EVREN** may fulminate against the Council of Europe's 'intolerable' criticism of the Turkish junta's human rights record, but Turkey's bank overdraft is too large for him to walk away from his European creditors.

For despite Turkey's recent economic recovery, the government still depends on large handouts from Europe — West Germany in particular — which have political strings attached. The EEC recently suspended a \$600m aid package, and more funding was also due from West Germany, by far Turkey's biggest donor. This has been blocked by strong opposition in the Bundestag, which deplored the junta's arrest of former Prime Minister Bulent Ecevit.

On 28 January, the Council of Europe — which is composed of parliamentarians from all Western European countries — called for an official investigation into persistent accounts of torture and other human rights violations since the generals seized power on 12 September 1980.

Evren retorted that 'from now on, Turkey will not tolerate any initiative which could be considered interference in its internal affairs.' But a few days later, on 1 February, Ecevit was released. His sentence still had one month to run: the social democrat had been sentenced to four months' imprisonment for violating the ban on public statements by politicians active before the military takeover.

Perhaps aware that his sentence had stirred protest in Western Europe, embarrassing the generals, Ecevit left prison fighting. Speaking to supporters outside his Ankara apartment he declared: 'I have now been discharged, but so long as the limitations on my freedom of expression continue, I feel as in prison everywhere.'

Before the military takeover, terrorist activity by both left and rightwing extremists had brought the country close to civil war. The political parties appeared unable to control the situation. Evren's tough measures included the arrest of over 40,000 suspected terrorists and the dissolution of all political parties.

The military regime, stung by the criticism from Nato allies, has promised to restore civilian rule, but has so far failed to name a date. Evren is apparently waiting for a new constitution which is being drafted by the 100-member consultative assembly. Top-heavy with retired military brass, the assembly also includes lawyers, engineers, college professors, an actor and a brain surgeon, all hand-picked.

Questioned over the election delays, Evren responded: 'We had to make sure that our return to democracy was not hampered by the self-serving bickering and deal-making of the old parties.' Presumably, this means that Ecevit and his old foe, conservative Suleiman Demerel, the two

men who dominated Turkish politics until the military takeover, will be barred from the next civilian government.

Meanwhile, Turkey's strong export drive — exports increased by 65 per cent in 1981 to \$4.7bn — has not gone unnoticed. Bankers admire the way in which the military junta has regimented letters of credit and oil facilities. According to Deputy Prime Minister Turgut Ozal, Turkey's balance of payments, \$18bn in arrears and the enduring nightmare of US and European bankers, may turn into a surplus by 1983. As a result, said Ozal, Turkey may seek a \$500m loan on the euromarkets.

Some bankers feel that Ozal's forecasts are over optimistic and Ankara's possible return to the euromarkets could encounter resistance. Turkey's supporters in the banking world claim that the country's impressive export earnings warrant a series of medium-term loans. Others argue that the Ankara government should first complete the rescheduling of a \$3.2bn debt, which must be repaid between 1982 and 1986. Turkey wants the terms extended from 7 years to 10, and the grace period drawn out from 3 to 5 years.

CSO: 4600/292

## ECONOMIC, COMMERCIAL TIES WITH ARAB STATES REVIEWED

London 8 DAYS in English No 5, 6 Feb 82 pp 45, 47

## [Text]

**DESPITE** Turkey's Islamic status, relations with the Arab world have traditionally been strained. Now, after decades of mutual suspicion and antagonism, there are signs of a growing political and economic rapprochement. These changes were discussed recently at a two-day conference in Durham, northern England, under the auspices of the London-based Arab Research Centre and Durham University's Centre for Middle East and Islamic Studies.

One of the most telling recent developments has been the strengthening of commercial ties. In 1966, Arab markets accounted for only 7 per cent of Turkey's external trade (the majority of Turkish exports going to OECD countries). In the first nine months of 1981, Turkey's exports to the Arab world rose from 19.8 per cent to 39.4 per cent of the country's total exports.

Exports to Iraq — which heads the list of Turkey's Middle Eastern trading partners — almost trebled in size, while exports to Libya were up six-fold. In 1981 Iraq imported \$358m worth of goods from Turkey — a figure expected to rise to \$500m in 1982.

The quadrupling of oil prices in 1973-1974 gave Turkey the necessary impetus to reassess the importance of economic relations with the Middle East, as did the foreign exchange crisis of 1977-1978, which brought Turkey to near-bankruptcy and resulted in a domestic energy crisis. At the conference, Dr William Hale of Durham University argued that although there were both financial resources and possible export markets in Western Europe which Turkey could have tapped to finance its huge overseas trade deficit, there were a number of important reasons for turning instead to the Arab world.

One of the most important factors in Turkey's economic shift has been its growing disillusion with the West. Turkey has been frustrated by traditional western attitudes towards its disputes with Greece, and feels that the Turkish side has never been fully understood or appreciated by Europe.

From the Turkish viewpoint, upgrading of relations with the EEC has not been that beneficial. Turkey is currently an associate member and trade is conducted through temporary protocols. Atila Gokaydin, a Turkish international legal consultant, pointed out that the inadequate quota treatment of cotton yarn (the main exported manufactured product), is generally regarded in Ankara as one of the main factors behind the high inflation rates and the country's balance of payments difficulties. A further bone of contention was the sharp restriction on Turkish migrant workers which Community members began to apply from the mid-1970s; this led to an increase in unemployment among semi-skilled and unskilled labour in Turkey.

At the same time a degree of complementarity has developed between the economies of the Arab world and Turkey. Structural changes in the Turkish economy have resulted in a rapid growth of intermediate technology industries — textiles, leather, cement, foodstuffs and soft drinks — and Turkey now ranks as being one of a select band of 'newly industrialised countries'. In the 1960s, manufactured goods accounted for only 17 per cent of total exports, while by 1981 this figure had risen to 48 per cent. A similar expansion can now be seen in the more technically sophisticated industries such as plastics, chemicals, machinery and vehicles.

As the Arab economies began their rapid

expansion after the 1973 oil price rise, Turkey was in a good position to supply their needs. In a five-year agreement recently signed between Turkey and Iraq, Turkey will export trucks, tractors, agricultural machinery, cement, clothes and shoes, as well as agricultural produce. Under the agreement, barter arrangements will play a greater role in the payment of Turkish oil imports from Iraq. According to Atila Gokaydin, Turkish firms are beginning to win turnkey contracts in Iraq.

Libya has become another important trading partner for Turkey, especially with regard to the construction industry. By 1980 the total value of contracts won by Turkish firms in the construction sector amounted to over \$9bn, of which Libya accounted for \$7.08bn, or 78 per cent of the total. Together with the sale of construction materials, and the remitted profits of the contracting firms, such contracts usually provide employment for Turkish labour.

This alleviates unemployment in Turkey and significantly increases its invisible earnings. In 1981, the per capita remittance by Turkish workers in the Middle East was \$6,000, compared with \$1,800 dollars for their compatriots in Western Europe. A total of 101,000 Turkish workers are employed in various projects in the Middle East.

Libya has eased the way for the expansion of the Turkish contracting sector in that state. Turkish contractors are being exempted from certain conditions applied to all other foreign contractors working in the area, such as the obligation to prove that they have experience of similar construction work in a third country.

Apart from developing its trade links with the Arab states, Turkey is assessing a number of investment projects, two of which are already underway. A jointly-owned Iraqi/Turkish oil pipeline is being laid between Kirkuk and Dorytol, and a fertiliser factory is being built at Mersin by Turkish Nitrates Company and Kuwait Petrochemicals Industry Company. Kuwait has also offered to support Turkish construction firms and other contractors in their bid for various projects in the Gulf.

The increased importance of the Middle East in Turkey's external economic relations raises basic questions about its future economic and political alignments. There has been some talk of Turkey joining together with Iran and the Arab states to form a customs union. Although the military government has committed Turkey to EEC membership by 1995, this would not exclude further economic links with the Middle East.

Turkey would have to pay a heavy price for accession to the EEC. In particular, its highly-protected heavy industries would probably collapse in the face of free competition with Western Europe. On the other hand it might be possible to work out a special arrangement which would give Turkey a voice in the Community councils without full economic integration, and which in turn could be combined with closer cooperation in the Arab world.

The keynote of Turkey's economic policy is flexibility and adaptability — a principle entirely in keeping with the pragmatic philosophy of Kemal Mustapha Ataturk, who set the young Turkish republic on its feet sixty years ago. It is a principle which has also characterised Turkish foreign policy and is again reflected in recent policy shifts in Turkey's relations with the Middle East. One of the most significant developments has been the growing self-identification of Turkey as an Islamic nation.

From the 1920s to the 1960s the emphasis was on the secular nature of the Turkish republic, with religion regarded as a matter for individual conscience and removed from matters of state. The abolition of the caliphate, the introduction of the Latin alphabet and the secularisation of the republic were all reasons for the loss of contact and the estrangement which developed with the Arab world. Article 19 in Turkey's constitution expressly forbids the exploitation of religious beliefs for political purposes and stated that 'political parties guilty of such violation shall be permanently closed down by the constitutional court'.

In the late 1960s, however, Turkey began to attend international Islamic conferences and meetings, and the change was motivated almost entirely by strictly pragmatic and political reasons. The meetings of Islamic ministers provided a useful forum for Turkey to express its side of the international disputes over Cyprus and the islands of the eastern Aegean, disputes in which some Arab states (most notably Egypt) had in the past always sided with Greece. Turkey has received a sympathetic hearing and Muslim states are beginning to counter the Greek argument.

Though the military government which took over in September 1980 re-emphasised the secular nature of the Turkish republic, it has continued to attend Islamic conferences and is eager to avoid antagonising influential religious elements either inside or outside the country.

Turkey has also received economic and diplomatic benefits from its Islamic ties. In 1980 the Islamic Development Bank pro-

vided two loans to Turkey amounting to \$43m. The signs are that Turkey's western links and failure to act against Israel are no longer being viewed with the suspicion they once were among Islamic nations, to the extent that Turkey was recently elected to the goodwill mission currently trying to mediate in the Iran-Iraq war.

While willing to consider itself an Islamic nation, Turkey is unlikely to extend its involvement, as this would invite internal dissension and most likely jeopardise relations with its western allies. As Dr Andrew Mango pointed out at Durham, the Turks 'have a utilitarian attitude towards religion', with Islam being adapted to the needs and interests of the state. 'Islam in Turkey,' according to Professor Kemal Karpat, 'is becoming more national, more Turkish and is gaining acceptance even in secularist circles.'

The strengthening of bilateral economic and commercial relations between Turkey and Iraq, the Gulf and Libya is paralleled by political and diplomatic developments. Relations with Syria (with whom Turkey shares a long border) have traditionally been fraught, with Syrian territorial claims to the province of Hatay being the source of much mutual hostility. Recently, however, relations between the two countries have improved considerably: the Turks have removed the mines which had been laid along the border to deter smuggling, and

the Syrians have compensated those Turks whose property in Syria has been nationalised.

It is significant that these relations are improving at a time when Damascus is attempting to upgrade its already strong links with the Soviet Union, and suggests that the Turkish military regime, although firmly committed to Nato, is more relaxed about potential threats from the Soviet Union. Furthermore, every year there is a regular influx of Syrian migrant workers into the Hatay province to help with the cotton harvest, and immigration formalities are of the most perfunctory kind. All of which suggests that the Turkish anxieties over Hatay have diminished considerably.

Although the Nato alliance forms the cornerstone of Turkey's foreign policy, the 1970s have seen a visible dwindling of Turkey's enthusiasm for the alliance. The 1974 US arms embargo to Turkey (made in response to Turkey's actions in Cyprus) had a profound effect on Turkish public opinion, and there is a strong feeling among the left in the country that Turkey should withdraw completely from the alliance.

The military has promised to return Turkey to a democracy under stable conditions and a new constitution with much greater control over the executive powers. If this is achieved, a substantial flow of Arab capital and investment can be expected and could lead Turkish/Arab relations into a new era of mutual aid and development.

CSO: 4600/291

## RESUMED COFFEE IMPORTS underscore ECONOMIC UPTURN

London 8 DAYS in English No 5, 6 Feb 82 pp 44, 45

[Text]

*Although Turkey is far from free of economic difficulty, its prospects are more positive than for many a year. DAVID STOREY reviews its progress and MIRIAM RYAN looks at the Arab world's contribution.*

TURKEY'S military rulers began 1982 with an announcement heralding the official return of coffee, a staple Turkish drink until imports of coffee were banned more than four years ago because of lack of foreign exchange.

The announcement, a symbolic gesture, followed continuing improvements in the country's economic performance in 1981 with Turkish exporters selling above 60 per cent more in cash terms than in 1980.

Imports of coffee, a part of Turkish life since the Ottoman Empire, were banned in the late 1970s after dramatic increases in the price of imported oil brought balance of payments problems. Real addicts of strong black Turkish coffee could still obtain smuggled beans at black market prices, but traditional coffee houses soon became tea houses and the small coffee cups, with their residue of black sludge, gave way to small glass tea beakers.

On 5 January 1982, Turkey's trade minister, Kemal Canturk, announced that the authorities would ease import restrictions on some goods, including coffee, subject to shortages and black marketeering. The year began, generally, with more positive economic signs than for many years.

Last year was a difficult one on the home market, with some 2,300 businesses folding, double the 1980 figure. But exporters, encouraged by tax and other inducements and ready markets in the Arab world, had a field day.

This year, exports are expected to rise again to at least \$5.6bn from \$4.5bn in 1981. Economic planners say they hope, by 1983, to forgo the rescue packages of about \$1bn put together by other OECD members in each of the last three years.

But the planners add that this year, with imports forecast at \$10bn and loan repayments adding approximately another \$2bn, another OECD package is essential. One senior government source said Turkey would ask for about the same as last year, just under \$1bn, but would be satisfied with \$700-\$800m. International Monetary Fund credits and further World Bank aid and bank loans would cover the deficit, the source added.

The people of Ankara, who have faced past harsh winters with inadequate fuel supplies, began 1982 with plentiful coal, the result of an economic upturn. Ironically, however, the military authorities ordered all stoves to be shut down when sulphur dioxide from the soft brown coal mixed with the already polluted air to make smog, which regularly hangs over the city in winter, unbearable.

The military, by easing bottlenecks and stamping out political wrangling, have managed to increase energy supplies, ending regular daily power cuts. Planners say electricity supplies are still far short of potential demand, but delivery improvements are also helping industry overcome a chronic under-use of capacity.

The most heartening news for consumers in 1982 has been the success of efforts to bring down inflation, which fell from over 100 per cent in 1980 to less than 40 per cent last year. Finance Minister Kaya Erdem has forecast 25 per cent for 1982. Workers' wages are meanwhile set to rise by about 25

per cent this year and civil servants' pay by some 30 per cent.

But Turkey's middle class is not so happy: it has led protests against Deputy Prime Minister Turgut Ozal's deflationary squeeze while struggling to maintain the standards it enjoyed a decade ago. 'The belt is no longer around the waist of the people but around their neck. If you tighten it any more they will be strangled,' said Ismail Arar, a member of the consultative assembly appointed by the military after they took power in September 1980.

One economic analyst said that, while there were hopeful signs of a long-term balancing of the national budget, Ozal's strict monetary policy made balancing the home budget a daily battle. Nowhere has the pinch been felt more than in Ankara, a capital city where life revolves around government and state departments, a major employer of the middle class.

An under-secretary in a ministry, one of the most senior officials, takes home no more than Turkish lire 30,000 (\$220) a month. Even the best paid find that home rental often absorbs their entire family, forcing them to rely increasingly on family

#### connections and outside interests.

Government sources admit that low pay and a need for more money to make ends meet was often a cause for corruption in the past. More and more people cut down on holidays, restaurants and clothes, and restrict their diet. Motoring has become a luxury, with the average car costing about TL1m (more than \$7,000) and a full tank of petrol just under TL3,000 (\$22).

The real poor — 70 per cent of Ankara's 2.5m people live in tumbledown slums round the suburbs — have been cushioned. Their demands and standards were lower so they have had to give up less while their family ties with the villages, from which they still get food supplies, are still strong.

Turkey's business community was badly hit last year by falling demand, astronomically high interest rates — sometimes as much as 15 per cent per month — and power cuts. But business leaders still threw their weight behind Ozal's policies and his fight against inflation, described by Ali Kocman, president of the main businessmen's association, Tusiad, as 'still the most dangerous illness of the century'.

CSO: 4600/291

## POSSIBLE IRANIAN OVERTURE TO SOVIET UNION SEEN

Paris LE MONDE in French 17 Feb 82 p 1

[Text] The visit to Moscow of the Iranian Minister of Electricity, Mr Hasan Ghafuri-Fard, which coincided with the third anniversary of the Islamic revolution, took on a political importance far exceeding its immediate objective, which was the signature of a protocol concerning the completing by the Soviets of two unfinished power stations in Ahvaz and Esfahan. In fact, it provided the USSR with the opportunity to attempt a rapprochement between the two countries and for Iran to state its willingness to expand its economic cooperation with the USSR while at the same time maintaining its independence.

The Kremlin's position regarding the Islamic revolution remains one of extreme caution. It cannot be unaware that it is still a "satanic power" in the eyes of Tehran, but does not as a result intend to give up on the possibility of taking the place vacated by the Americans. For several months their press has been strangely silent on the events in Iran and relations between the two governments seem to be virtually non-existent. A recent article by IZVESTIYA, expresses nevertheless Moscow's desire to break out of this situation. The Soviet leaders worry particularly about the continuation of the war with Iraq and fear an escalation of the conflict.

As long as military operations are being carried out, there is little chance that Iran will be able to surmount its serious economic problems which threaten the survival of the regime itself. It is for this reason that its leaders have given priority to the war effort against Iraq. Prisoners of their own rhetoric, they are straining to win an impossible victory of the field, rather than trying to end the conflict by means of negotiation. The purchase of military materiel seems to have become their main preoccupation. Information from various sources concerning the acquisition of Israeli weapons shows that, in this area, they are prepared to do anything, including turning to a state as diabolical in their eyes as the United States.

Paradoxically, the recent Iranian successes over the forces of Baghdad have helped to accentuate the isolation of Tehran in the regional framework. The Gulf countries fear more and more "the subversive meddling of the Islamic regime" which continuously vilifies the "corrupt petro-monarchies." Even the PLO, which, 3 years ago, was one of the warmest partisans of the Tehran regime, has become somewhat aloof with regard to Imam Khomeyni. Only Libya and Syria--the latter in the midst of internal disorder itself--grant at least verbal support to the Iranian regime.

There is therefore a great temptation for the leaders of Tehran to seek in Moscow not only the means to bring about an economic recovery, but also the weapons which they need. By stating recently that he "would not close the door" on the purchase of Soviet military materiel, did the Iranian head of state also mean to outline a political rapprochement with its powerful neighbor? His remark, directed at an American journalist, carried above all a veiled threat for the United States, for whom an increase in the Soviet influence in Tehran, leading perhaps one day to a takeover, is a catastrophic possibility.

CSO: 4619/50

**WILLOCH: EL SALVADOR BEING EXPLOITED AGAINST U.S. IN NATO**

Oslo AFTENPOSTEN in Norwegian 16 Feb 82 p 3

[Article by Terje Svabo and Lars Hellberg]

[Text] "Does the fact that we are living up to our commitments to El Salvador mean that we will be excluded from maneuvers aimed at being able to defend Norway as a NATO ally in a crisis?" That is the incredulous question American sources asked when AFTENPOSTEN brought to their attention the Nordland Labor Party's resolution on the U.S. policy in El Salvador. Prime Minister Kare Willoch told AFTENPOSTEN: "When NATO holds exercises in Norway, it is to prepare for the defense of our country. To reject the idea of participation by American forces is to counteract the basis for our peace and security."

The statement issued by the annual meeting of the Nordland Labor Party was approved by 39 to 38 votes and Prime Minister Willoch agreed that in itself the statement should not be given too much importance.

"However I am afraid that in the future we could run into a number of attempts to exploit the dispute over U.S. policy in other parts of the world to weaken the solidarity on NATO's joint tasks in Europe. Therefore it should be made quite clear that it is irresponsible to use the disagreement over Latin America to work against the U.S. defense effort in Europe.

"I am disappointed that the top leaders of the Labor Party have not clearly repudiated this and instead have gone halfway toward defending the NATO-hostile position of the Nordland Labor Party. That makes the matter more serious from a Norwegian point of view," said Kare Willoch.

How will the Norwegian government react to what is happening now in El Salvador?

"The government will continue in the future to react to violations of human rights and we will work for negotiations in place of resorting to violence. But we cannot base our position on any kind of oversimplification of the problems in El Salvador.

"It is much too simple to regard the guerrillas as spokesmen for peace and freedom and the other side merely as the oppressors. Our point must be that at

the same time one combats violence on all sides one must also assure reforms that will remove the basis for revolution and violence," Prime Minister Kare Willoch maintained.

However, like the Norwegian government, people in the Reagan administration are inclined to dismiss the whole thing as an accident on the job.

The chairman of the Storting Foreign Affairs Committee, Kare Kristiansen (KRF [Christian People's Party]), told AFTENPOSTEN that of course it is not very pleasant to have the Labor Party making such a move, especially at a time when the committee is in the United States to discuss relations between Norway and the United States. But if, contrary to expectations, the matter is brought up when the committee comes to Washington on Thursday, American foreign policy leaders will be told that there is no reason to exaggerate the importance of the resolution.

"I can understand such an immediate American reaction, but I must point out that the official policy of the Norwegian government is quite different," said Kristiansen. He also pointed out that Norway has already placed great restrictions on itself precisely with regard to NATO exercises and that for national considerations there is no reason at all to go any farther in that direction.

Labor Party chairman Gro Harlem Brundtland, on the other hand, reacted to the description of the local party resolution as "hostile to NATO." She went on to say: "It is quite another matter to call in question the appropriateness of the reaction of the Nordland Labor Party to the issue of the United States and El Salvador." But, the party chairman said, the United States should be made aware that strong trends are at work both in Norway and elsewhere. The United States should view the reactions indicating that people are starting in earnest to talk of El Salvador as a new Vietnam quite seriously, said the Labor Party chairman.

Conservative chairman Jo Benkow felt it was quite serious that such a move, even if it was just a "local phenomenon," was made at a time when the details of the stockpiling agreement with the United States have just recently been clarified. "If I am asked by our American partners in the talks later this week, I will point out that few other countries are as dependent as Norway on U.S. fulfillment of its NATO commitments," said Benkow.

"And I doubt the competence of the Nordland Labor Party to speak out on things that are hard for us in Norway to evaluate against the background of the realities of the situation in El Salvador. But we do have a tendency to make statements that are even stronger the farther away we are from the events," Benkow said.

It was quite a different matter, he said, that the Norwegian government has protested the Duarte regime's violations of human rights while at the same time Norway has increased its aid for refugees from El Salvador and has refused to send observers to the upcoming elections in March. "But," Benkow added, "I would like to say that there is a difference between supporting the Duarte

regime and accepting the excesses of the armed forces." Kare Kristiansen made the same distinction between the regime and the armed forces.

For his part, Benkow sympathizes with the Reagan administration which has based the drastic increase in both economic assistance and the delivery of arms to the regime on the belief that the alternative is to give extremists on both sides a free hand. "In short, a blood bath without precedent, as American foreign policy leaders put it during a hearing by the Senate Foreign Relations Committee last week."

6578  
CSO: 3108/67

**OTHER LABOR PARTY LOCALS COOL ON BANNING U.S. FORCES**

Oslo DAGBLADET in Norwegian 18 Feb 82 p 2

[Article by Arne Foss]

[Text] Great understanding for the motive but unwillingness to back it fully. That is how the reaction in central circles of the Labor Party can be summed up with regard to the resolution by the Nordland party local on refusing to allow U.S. soldiers to take part in the upcoming NATO exercise in North Norway.

That is the attitude of other county party organizations that will be holding their annual meetings prior to the NATO exercise and will thus have a chance to pass similar resolutions. This applies to party groups in Hordaland, Hedmark, South Trondelag and Oslo. DAGBLADET has learned that none of the leaders of these party locals plan to present proposals calling for similar resolutions. So far party leaders have no way of knowing what other delegates to the various annual meetings might do.

The chairman of the Hordaland Labor Party, Storting representative Hallvard Bakke, told DAGBLADET that he is not preparing such a proposal and he has not heard that anyone else in the party is doing so. The annual meeting in Hordaland will take place next weekend.

**Illogical Resolution**

"I cannot support a proposal based on refusing to allow American soldiers to take part in exercises in Norway when we ourselves are NATO members. We are talking about joint exercises in the defense of our country and on that basis the resolution is extremely illogical.

"But I agree 100 percent with the criticism that the United States is practicing a double standard when it criticizes the state of emergency in Poland at the same time as it supports the regimes of El Salvador and Turkey. My impression is that the American criticism of Poland is used for political purposes and that human rights violations are not the real reason.

"I have more reservations about Turkish observers taking part in this particular NATO exercise. They represent a dictatorship and NATO's job is to defend

democracy. By saying no to them, we can highlight our protest against the Turkish regime," said Bakke.

#### No From Oslo

So far the Oslo Labor Party has not received any proposals dealing with U.S. troops, NATO and Norway, local secretary Bjorn Tore Godal told DAGBLADET. And party leaders are not planning to present such a proposal either.

"Personally I doubt the appropriateness of interfering with NATO military co-operation every time the Reagan administration commits an infringement in El Salvador or somewhere else. But I have no doubt that it is necessary to react strongly to the U.S. leadership on the bilateral level, as Labor Party leaders have already indicated.

"The situation for Norway today is that we depend on both NATO and Warsaw Pact willingness to work for results in the Geneva talks. Norway has a special role to play in this context and would also like to influence the United States through NATO," said Godal. The chairman of the party, Storting representative Torbjorn Berntsen, told VART LAND yesterday that he interprets the Nordland Labor Party statement primarily as a reaction to the political double standard the United States has demonstrated recently. On that basis the resolution could not be taken literally, in Berntsen's view.

#### Not Nordland

"There is no resolution to refuse to allow American troops to exercise in Norway on our agenda. And we are not getting anything like that ready either. Hedmark is not Nordland," said the secretary of the Hedmark Labor Party, Martin Hoff, to DAGBLADET. The vice chairman of the party, Einar Olav Skogholt, told VART LAND yesterday that he did not support the resolution of the Nordland Labor Party.

"Such moves can help undermine our entire defense system and I will not go along with that," Skogholt stated.

Nordland cannot count on getting any support for the resolution from its sister party in South Trondelag either. They could not really have expected anything else, since the party committee did approve the stockpiling of American military materiel in the county.

"I do not think there is a mood in our party in favor of supporting the Nordland resolution fully. But conditions in El Salvador were taken up at the last annual meeting and there is little doubt that it will come up again this year," party secretary Rolf Antonsen told DAGBLADET.

The NATO exercise in North Norway, which will be called "Alloy Express," will be held from 12 to 17 March. Some 14,000 soldiers from eight countries will take part and the first of them will arrive in Norway as early as 3 March.

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**MILITARY INTELLIGENCE SERVICE BECOMING MORE OPEN**

Oslo AFTENPOSTEN in Norwegian 18 Feb 82 p 12

[Article by Knut Falchenberg]

[Text] Copenhagen--No name plate shows the way. Discreet steel bars can be glimpsed behind the windows. There is a steel door and a doorbell; we ring and enter. In an alcove sits the guard, his hand resting close to a poorly-hidden pistol. From here we are taken to another equally discreet building: "Come on in! Press people are quite welcome to visit the Danish intelligence service," says Preben Borberg of the administration.

Then the Danish military intelligence service is not hiding out behind completely closed doors?

"It was in 1970 that we felt a need to improve contacts with the public. Since then every journalist in Denmark has been welcome to drop in or call us up," Lieutenant Colonel Borberg told AFTENPOSTEN. Last year he made 100 speeches on how a modern intelligence service works and what results it achieves. Societies stand in line to get him to come to their meetings.

As far as we know Denmark is the only European NATO country that has appointed a special spokesman for intelligence, while similar services, such as the one in Norway, have their lips sealed. When the Norwegian public is informed of record high Soviet exercises in the Baltic or troop movements around Poland, the source of the newspaper headlines is often at the Citadel in Copenhagen.

"A lot of Norwegian press people were calling here during the situation in Poland," Borberg said.

Would he recommend that intelligence services in other countries to open up?

"I have no opinions as to what other countries should do in this area. We have made our experiences known to colleagues in Norwegian intelligence. It was our judgment that here in Denmark it is an advantage for democracy that people know as much as possible about what is going on. Taxpayers should also find out what they are paying us and other state institutions for. The best source of information on intelligence is the service itself," said Borberg.

What experiences has he had as spokesman in such a sensitive area?

He maintains that for an intelligence spokesman to have any meaning at all, he or she must sit in the administration and have a full overall view of what is happening in the organization. The spokesman must also be accessible at all times.

On the other hand, there are clear limits to the information provided. Every day Danish intelligence composes a teletype paper that goes to the government and top agency officials. Naturally this information is secret. Every 3 days on the average a report is written on various topical matters. In all the intelligence service prints 1,500,000 pages a year. These publications are also classified.

"My job is to tell the public a selection of what we know, as much as possible, but always in such a way that it does not harm intelligence work. I never mention our sources when I provide information and I also guard myself against overdramatizing what is happening around us," said Borberg. And he never answers questions about how many employees the service has, how much it costs or where intelligence stations are located. "And that kind of detailed information is of little interest to the general public," said Borberg.

The military intelligence service comes directly under the Defense Ministry in Denmark. Borberg emphasized that they are not just concerned with military activities in Warsaw Pact lands. The service has a global field of interest and is made up of military and civilian economists, political scientists and engineers. Actually, most of the men in the service are civilians.

These people get their information from both open sources and so-called "physical collection," such as by talking to people who have been in a vital place or by sending one's own people there to obtain information. In addition, the intelligence service acquires data through electronic surveillance of the air waves and by using navy ships and military planes for surveillance jobs. And the service benefits especially from an excellent cooperation with friendly foreign intelligence services. When the intelligence has been gathered, the difficult task remains of comparing all the information known and drawing the right conclusions.

Every other year, the intelligence service brings up to date a detailed pamphlet on "Aggressive Warsaw Pact Possibilities Against Danish Territory." This also includes a map where they sketch in the other side's exercise patterns and their routine surveillance activities in the vicinity of Denmark.

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**TIGHT BUDGET, LABOR LAW TO LIMIT EXERCISES, DUTY TIME**

Oslo AFSENPOSTEN in Norwegian 19 Feb 82 p 44

[Article by Knut Falchenberg]

[Text] The Defense Ministry has placed a ceiling on the number of days officers can be used for maneuvers and guard duty in 1982. The ceiling is lower than the military had considered necessary. To save money, a rule is also being introduced starting in March calling for the incorporation of at least two periods of guard duty a month into the individual's regular work schedule. The defense leadership is under heavy fire from the officers.

"After new regulations on working hours were introduced in October, the armed forces reduced activities substantially. This was done by eliminating extra pay for stand-by duty, canceling exercises and working in some guard duty in normal working hours to the detriment of other service," OFFISERSBLADET wrote on its editorial page. The paper, which is published by the biggest union in the Joint Organization of Officers, said that there have been many rumors and erroneous ideas in circulation--the Job Environment Act has been blamed unfairly.

"The truth is that the military does not have control over its own activity in relation to budgets. In reality, in 1981 limits were placed on available exercise and guard duty days. This limit was reached before the new working-time regulations went into effect. But the military had not used up the funds intended for the new regulations on work hours," wrote OFFISERSBLADET.

Instead of maintaining readiness and activity, the money appropriated for the new working-time arrangement was spent on something else. More than 60 million kroner went for goods and services, the publication charged. The organizations also say that the proposition on this rearrangement of the budget was presented without discussing it with the officers, a violation of the main contract.

Erik Senstad, assistant secretary in the Defense Ministry, said in a comment to AFSENPOSTEN that meetings have already been planned to discuss the matter with union organizations.

"The attitude in the ministry is that it does not merit criticism if an appropriated sum is not used up entirely. Part of management involves the right of an employer to determine the extent of an activity. The reason why this budget item was not used for its original purpose is that the national budget proposal for last year was presented as early as September 1980. At that time there was no agreement on a new working-time arrangement. Consequently, the amount it would cost could only be estimated.

"The new regulations on work hours were finally introduced last October, at which time we could see little sense in planning a higher activity level for the last months of the year only to reduce it again in 1982. Therefore we aimed for the level we thought we would maintain in the future," said Senstad.

So the Defense Ministry has introduced the same ceiling that turned up in 1981 again this year. The high command cannot use more than 155,000 exercise days and 48,000 duty days for officers. The military leadership has divided this limit and all defense branches will have fewer days at their disposal than their estimated need. For example, the army will have 84,000 exercise days for officers compared to a need of around 100,000. Regular officers in the home guard will have less than half the exercise days requested.

To further reduce the cost of the regulations on working time, the armed forces high command recently sent out telegrams to all divisions with instructions that at least two periods of guard duty per officer each month be included in regular working time from now on.

#### Exercise Plans Adjusted

Staff chief Martin Vadset of the army staff confirmed to AFTENPOSTEN that the army will have 16,000 fewer exercise days and almost 5000 fewer guard days this year than called for by estimated needs.

"We are now going through our programs to see if we can adjust our exercise plans. This applies to all elements from recruit schools to larger units. We are trying to distribute the cuts equally except for giving refresher exercises a high priority," said Colonel Vadset.

He said that they are now bent on gaining some experience with the new regulations on working time and that toward summer more exercise days might be requested if experiences indicate a need for them. "There is a great deal of uncertainty about this and we have time to get some experience before we draw any bombastic conclusions," said Vadset.

The air force stressed to AFTENPOSTEN that the picture is not entirely black, even though they are cutting back exercise activity somewhat and readiness is no longer what it used to be in all areas. Last year this branch of the armed forces was assigned 24,000 exercise days for officers but managed to use only 19,200.

From what AFTENPOSTEN has learned of the budget work now going on, total spending connected with the regulations on working time will exceed 450 million

kroner in 1983. This must be absorbed by a budget which even a Conservative cabinet is unlikely to allow to grow more than 3 percent in the present economic situation. Spending on operations alone will swallow up well over 60 percent of the billions in the budget and more delays seem likely in the plans for modernization and materiel acquisition. In this situation both the Job Environment Act and other operating expenses will be targets in the defense debate. Officer organizations will have to repeat their litany, that there is nothing wrong with the Job Environment Act, the problem is that people do not want to pay for the armed forces they have. In the past people have been spoiled by the fact that officers worked practically for nothing compared to other state employees, they will charge.

The debate is under way and the so-called "Brigade Committee," which represents 1000 officers in Troms, asked in a statement: "Who is it that is gambling with the credibility of the armed forces? New regulations on working time will lead to the North Norway Brigade being able to afford less than 45 days in the field out of the 365 days in this year," it charged.

During the last NATO exercise in North Norway, some British Royal Marines maintained--rightly or wrongly--that the British had more field training each year on Norwegian winter terrain than the Norwegian soldiers themselves did:

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